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THE MODEL STOCK PLAN

BY

EDWARD A. FILENE

President, Wm. Filene's Sons Company

Every producer, every distributor and every buyer is faced with this problem—how to have the right goods, in quantities neither too great nor too small, at the times when they will be desired most, and at the prices at which they will sell best. To meet it, the Model Stock Plan—explained in detail by its originator here—has been developed.

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THE MODEL STOCK PLAN

PREFACE

I have been scientifically studying for more than forty years certain theories of distribution and have been applying them to a business which is now the largest of its kind in the world. In 1925 I first presented my Model Stock Plan to American readers in book form, the American edition being followed shortly after by a German edition. I called the book "More Profits from Merchandising."

For the past five years I have been observing, collecting data, and recording facts concerning the application of, and wide range of still greater use for, the Model Stock Plan. These new facts and this additional data have been arranged and classified and are now presented in a new book, considerably larger than the old one and containing almost entirely new material.

Of necessity I speak throughout the book as a store executive must speak. My field of distribution has been the department store, my data largely that of the department store, my examples those of the department store. But that does not mean that this is a book about the department store. It is a book about distribution. Primarily it deals with retail selling, though its principles are directly applicable to, and profit-increasing for, wholesaling and all other forms of distribution, such as transportation by land or sea, book selling, food distribution by hotels and restaurants—in fact, every form of distribution of commodities. The Model Stock Plan can be, and must be used, if the greatest total profits are to be secured, in any type of retail unit. Whether you operate a department store, a specialty shop, an independently owned small retail store or manage a chain store, you will find the principles given in the book applicable. Whether you sell hardware, shoes, jewelry, paints, clothing,

or what-not, you can apply the Model Stock Plan. If the store is small, with a business of only a few thousand dollars a year, or so large that it runs into millions makes no difference in the usability of the Model Stock Plan. So when you read, if the words seem to apply to department-store operation, just remember that you need only transform my examples into your own, applicable to your own business, and you will gain the full understanding of the Model Stock Plan in its relation to your particular business.

I need only remark, not emphasize, that the problem of today is a problem of distribution—how to make adequate profits in the face of growing competition, how best to satisfy the public demand for quality products and goods at the lowest possible prices. The Model Stock Plan is the way to greater service as well as to greater total profits.

I am indebted for invaluable help in the preparation of the manuscript to Arthur Van Vlissingen, Jr. It is one thing to have business experience, it is another thing to translate that business experience into the most helpful forms. To those readers who are struck by the clear presentation of my material I would suggest that they do not thank the author but Mr. Van Vlissingen who patiently and understandingly labored with me throughout the preparation of this book.

For much of the data and for assistance in compiling and arranging it I wish to express my appreciation to Percy S. Brown, Robert L. Moore, Charles Poore, and Carl Reimers.

EDWARD A. FILENE

BOSTON, MASS.,
May, 1930.

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INTRODUCTION

Under ideal conditions, civilization would move gradually but steadily forward. Scientists would extend their realm each day by some new addition to a vast store of knowledge, artists would add to the technique and skill of their predecessors, and business would progress by extended and comfortable changes.

A study of economic history over a long period will show that no such regularity has actually existed in commerce and industry. On the contrary, progress has been made in intermittent bursts of speed, interspersed with periods of stagnation and sometimes of retrogression. Occasionally, a combination of fortunate circumstances has brought about profound and beneficial changes in the world's business structure. Thus the invention of new machines and a realization of the economies to be effected by mass production were followed by an industrial revolution that has changed, and is still changing, the entire structure of society.

So many benefits to humanity have grown out of the increased use of machinery and the concentration of industry in profitable locations that we may place both in the front rank of human achievements. The standard of living has been raised beyond the wildest dreams of fifty years ago and there has been an increasing participation of all classes of people in the material comforts of life. Nevertheless, the mechanization of industry has had bitter opponents. Persons whose trades were affected adversely and persons who feared the results of so far-reaching a change fought together against the use of machinery. In the early period of the industrial revolution, many were unable or unwilling to adapt themselves to the new conditions and in consequence suffered severe economic losses and in some cases were reduced to the extremities.

We are now going through a period of change in methods of merchandising that is to distribution much the same thing the industrial revolution was to production. The goods produced in large quantities by our modern methods should have an equally economical and equally efficient distribution. Not every difficulty has been ironed out of manufacturing, but thinking observers realize that it is in merchandising that our major business problems are to be found. There has come a new era of ferment and of progress in business, an era in which many of our outworn traditions must be discarded. New methods are constantly being devised and tested. New ideas are being put into practice. The merchants who are eventually to emerge as leaders of their trades must keep their minds open and alert to the innovations that will bring different conditions next year or even ten years from today. There are tremendous opportunities in possible reductions in the cost of moving goods from producer to consumer, a field in which avoidable waste mounts into the billions of dollars.

Much as in the case of the industrial revolution, there will undoubtedly be a great number of laggards in this new movement, merchants who are unable or unwilling to adapt unfamiliar methods to their own stores. These men will fail to realize the great advantages of riding with the tide of progress, rather than trying to move against it. Another class of merchants will draw upon the experience of others to enable themselves to reap a larger reward for a more efficient service to the consumer. It is for these that Mr. Filene has written "The Model Stock Plan."

In his endeavor to reduce his costs, the retail merchant will find great possibilities in a close cooperation with others whose business it is to place goods in the hands of the consumer. In this book, Mr. Filene describes the methods he has used to accomplish just such a result. His findings are the outcome of keen thought tempered by years of practical business experience and experiment.

JULIUS KLEIN.

THE MODEL STOCK PLAN

THE THREE FULL-LINE PRICES

1. CHEAPEST FULL-LINE PRICE.—The lowest price at which any class of goods can be produced and sold, provided the goods are of such good quality that customers will buy them again and again.

2. BEST-SELLING FULL-LINE PRICE.—The intermediate price at which all of our customers buy at one time or another, at which most of our customers buy all of the time, and at which we, consequently, sell the most goods.

3. HIGHEST FULL-LINE PRICE.—The highest price at which their incomes will allow the great majority of our customers to buy.

CHAPTER I

THE WAY TO GREATER TOTAL PROFITS

Five advantages of operating any business on Woolworth, Ford, and General Motors principles. Changing competition demands better distribution. Lower prices, greater total profits. A whole stock of bargains, a Model Stock. Goodwill, the greatest business asset, dependent on complete stocks of wanted goods at low prices. The Model Stock Plan essentially a process of planning and control throughout the business. How manufacturers and retailers can work together to their mutual profit. A way to meet chain-store competition. Distribution costs excessive; we can reduce them by reducing wastes. Increasing customers' buying power through mass production and mass distribution. The way to greater total profits.

THIS book is written to show you how you can strengthen your business and increase its total profits by applying to your own business the principles that made Ford and Woolworth so extraordinarily successful. These principles are basic. They apply to all lines. They apply to your business, no matter how high-priced goods you sell.

Whether you are an independent retailer, large or small, a department store operator, a chain-store operator, a wholesaler, or a manufacturer, five major advantages accrue from operating a business according to the methods laid down in this book, the Model Stock Plan, rather than according to traditional merchandising methods:

1. The Chevrolet, Ford, and Woolworth ideas are applied to higher-priced merchandise, with opportunities for profit making in consequence greatly increased.

2. Larger sales follow on much smaller investments and smaller stocks; the stocks are, nevertheless, more complete.

3. Losses from obsolescence, damage, and the like are reduced. Necessary mark-downs can be made a source of profit.

4. Greater goodwill grows up, thus increasing both profits and worth of the business.

5. Better, fresher styles[1] are constantly offered.

6. Greater safety results because the whole method of Model Stock operation is more basically sound.

Presumably we want to approach the profit-making methods described in this book with the attitude that will make out of it the most money for our business; it is well to keep in mind half a dozen closely related points. They are, in the order that they should be considered:

1. Just because the method has been worked out in its greatest detail in retail merchandising and earned profits does not mean that it pays only in retailing.

2. It pays as surely when applied in other lines of business, such as manufacturing and wholesaling, book publishing, passenger and freight transportation.[2]

3. The basic principles underlie all business; no business is "different."

4. Retailing, especially department-store retailing, is one of the most complex forms of commercial organization.

5. Almost every other kind of business, therefore, can easily adapt and earn profits with an operating method that fits the intricacies of department stores.

6. This is not theory. It is practical experience. The idea underlying this book has made money for manufacturers and jobbers as well as retailers.[3]

In fact, once the method is at all generally applied to retailing, it means that it will have to be applied to production. It cannot avoid inevitably working back to produc-

[1] A larger, more profitable volume of sales of style goods will come to any business operated on the plan described in this book, because, as Chap. VIII, p. 110, explains fully, such a business is always open for new styles.

[2] Total profits have been materially increased by applying the Model Stock Plan principles to such widely diverse lines of business as steamship transportation, book publishing, and many kinds of manufacturing, as we shall see in Chap. XIV, p. 198, and Chap. XV, p. 209. The Model Stock Plan's more-profit possibilities are distinctly *not* confined to retail merchandising.

[3] Chapter XIII, p. 185, deals fully with the experiences of a number of manufacturers and wholesalers in using Model Stock Plan principles and methods. It is advisable, of course, to study the plan as outlined in the earlier chapters for the sake of a thorough understanding of Chap. XIII in the light of the whole plan.

tion, to the great benefit of producers; the reason is that under this business principle producers will get bulk orders from their customers.

The benefit that he gets from these bulk orders, the manufacturer will, of course, share so that the retailer can in turn share them with the customer, thus increasing the total business of both of them. A manufacturer who initiates the Model Stock Plan in his own business without waiting for pressure from his trade will find additional profit in the advantage he will have over competition by being able to help his customers to put it into effect in their businesses.

In stating adequately the advantages of using the Model Stock Plan, it is hard to avoid terms that must, to the man unacquainted with it, seem overstatement; and overstatement is certain to antagonize the successful business men and the coming leaders of business for whom this book is written.

The most successful business today is being operated with a degree of scientific skill unheard-of a few years ago. Gone are the days when haphazard methods could be depended on for profits; the basic difference between the method explained in this book and the old method is the substitution of facts for opinions. The continuance of pioneer conditions in some lines is all that has permitted many stores, factories, and wholesale houses to make money while going contrary to scientific merchandising principles.

Pioneer conditions are rapidly giving place to an era of still more intensive competition. Basic changes are occurring, more than at any time since the First Industrial Revolution which came with the substitution of machinery for handwork. Every line of commercial activity not already affected will feel the drastic changes before long.

Distribution is the best example. It offers rather more than its share of these major changes. Most in the popular eye at the present moment is the growth of chain stores. But this is only one of many basic changes. Numbers of great department stores are being merged under group ownership. In many industries we see a trend toward elimination of intermediate distributors, a trend notably

hastened by the chains. Group buying by retailers is increasing. Style is penetrating into many lines hitherto free from style influence. Major outlets for many types of goods are shifting from one kind of store to another; small hardware and notions into chain variety stores; nationally advertised men's clothing and furnishing goods into retail outlets owned or controlled by manufacturers. The list could be extended indefinitely. These suffice to indicate the trend.

We may depend upon people to keep on eating, wearing out clothes, building houses, running mileage on their automobiles. Whether your business and mine make money by supplying these wants depends upon our adaptability to changing conditions. If we combat today's and tomorrow's supercompetition by simple but scientific methods, we shall prosper safely and surely. If we do not adapt ourselves we must eventually go under.

The principles and methods of the Model Stock Plan are the surest way to net profits, although they are not always the line of least resistance in running a business. In the first place, they are predicated—just as are Ford's, Chevrolet's, Woolworth's, and other modern merchandisers'[1]—on actually thinking our way through our business, using facts as a guide and a check-up rather than traditional opinions.

The Model Stock Plan is not difficult to carry out. On the contrary, it is simpler and will cause us much less work than the currently accepted methods. The only difficulty comes in deciding to carry it out. All of us tend to continue using

[1] Many other examples could be cited from higher-priced lines of business as well. Cadillac automobiles have of recent years shown the results of much the same kind of thinking; American Telephone and Telegraph Company is an excellent instance in a service industry. Woolworth, Ford, and Chevrolet are used as examples throughout this book because they are the most conspicuously successful in working along lines similar to those of the Model Stock Plan. But this choice of examples must not be misinterpreted as meaning that the Model Stock Plan applies only to the lower-priced fields of business. Actually, the opportunities for increasing profits by using the Model Stock Plan are incomparably greater in the field of higher-priced merchandise than at the lower levels such as Woolworth's nickel and dime prices, as will be clear after the workings of the plan are explained in detail a little further along in this book.

methods that have been profitable in the past. *A great percentage of the failures in business, if not most of them, are due to just this: continuing to use methods that have been profitable in the past long after times have changed.*

Probably the sole important difficulty anyone will have with this method is in making up his mind to adopt it. And yet he will adopt it because he will be convinced that it will bring him greater total profits and greatly reduced risks in his business.

Here, too, the time element enters importantly. Some people will adopt the Model Stock Plan at once and immediately begin to make greater total profits.

Others will do so more slowly; they will take it up only as they see competitors making greater total profits from its use.

Some will never adopt it, because, if they wait too long, the competition of the better methods will make it too late for them to compete with rivals who have taken advantage of this newer, better way of doing business.

So let us bear in mind the advantages of acting promptly. A dollar lost may sometimes be re-earned. But time is the one business asset that can never be regained; the corollary is that profits which are allowed to escape through failure to grasp a better idea promptly are the one class of profits that are lost for all time.

Once we get the Model Stock Plan operating it is going to help us to keep better stocks with less money invested. It will take a great strain off our minds. It will greatly add to our total profits by increasing goodwill, as we shall have more customers and better satisfied customers. These are the advantages this book offers. We shall want to absorb everything constructive that it offers.

The Woolworth, Chevrolet, and Ford principles are the same as those presented here out of Model Stock Plan experience. What is more, when we have finished our examination of these principles, you will agree with me that the same basic ideas underlie every one of the shifts in distribution which are going on all around us today—except only

those intended to make money from financing instead of from merchandising.

Everything of value that this book can give us is based on the fact, long accepted by leaders of business, that the most dependable source of profit is helpful service to the public.[1] If a business method can eliminate wastes, reduce costs, and otherwise make the consumer's dollar buy him more or better goods, it will at the same time increase total profits for the business that employs it.

The Model Stock Plan is designed to operate in exactly this fashion. Skilfully employed in a store, it makes more money for the store. At the same time it saves money for the consumer, makes more money for the manufacturer, and any other resources that regularly work with the store where it is in use.

Consider the burden of non-selling help common in retailing; for instance, in the ordinary department store only one employee out of three works at selling. Moreover, not more than half of that employee's time is taken up in actually selling.

If we do not appreciate the possibilities of improving this showing and something of the merchandising principles that make improvement possible, let us walk through any good-sized, modern, Woolworth store and look it over. Here we shall see how *unbelievably much value can be provided for a nickel or a dime and how busy all the salespeople are practically all of the time.*

The principles explained in this book are exactly those that Woolworth's applies to make low prices and high total profits. So are the methods, in essence. Woolworth's

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[1] In another place I have tried to formulate what seems to me the basis of a simple code of business ethics. I included two points, as follows: "1. A business, in order to have the right to succeed, must be of real service to the community. 2. Real service in business consists in making or selling merchandise of reliable quality for the lowest practically possible price, provided that merchandise is made and sold under just conditions." It strikes me that many business men have yet to learn the lesson so strikingly demonstrated by Ford and Chevrolet, that low prices, large sales, and a large total profit, under proper management, go together. (See the Annals of the American Academy of Political and Social Science, vol. CI, May, 1922.)

applies them to handling merchandise at very low price levels. Manufacturers make satisfactory profits selling Woolworth's, to retail at five or ten cents, goods that independent retailers often have to sell at double or treble the price.

Products in the higher-price ranges actually offer opportunities for far larger proportionate savings. This field is almost untouched.

Imagine the profits to our store of being in a situation comparable to Woolworth's; our resources will know that we are always open to buy goods of exceptional value in three retail price lines for each class of goods, all higher than Woolworth's. Obviously, we can make more savings and more total profits in the higher-price lines than on the same number of transactions in five- and ten-cent merchandise.

In this book we shall see how to use a merchandising plan which corrects one of the greatest weaknesses of distribution, namely, that of depending upon special bargain lots instead of depending upon the whole stock being right.

A Model Stock is a whole stock of bargains, in the sense that a more than ordinarily good value is a bargain. It offers a complete stock at three standardized prices, a stock that sells more goods more profitably than any incomplete, less carefully selected stock even twice or three times as large. How and why this is true we shall see as we absorb the facts brought out clearly in this book.

If a store tries to spread its stock over too big a price range—the same thing, in slightly different terms, applies to manufacturing or wholesaling—it meets two outstanding difficulties: First, the store loses sales because its stocks cannot be really complete if they are scattered over too big a price range. Second, if the retailer tries to carry enough stock to avoid losing sales, he has too many leftovers and too slow a rate of turnover for the greatest total profits.

Consider, for instance, the number of items—sizes, colors, materials—necessary for a complete stock even at one price

in either men's or women's shoes.[1] If the retailer tries to keep a complete stock at too many price levels or too many styles, the difficulties catch him both coming and going. This is proved in some of the departments of even the most successful stores, where the profits shown at stock taking are found to be in goods instead of money, and these goods are mostly the odds and ends of too many styles and too many price lines.

When we build a Model Stock, we lose few sales for lack of merchandise. Also we have few leftovers. We shall see in this book that the Model Stock Plan gives us our profits in cash instead of in obsolete goods.

Moreover, it builds goodwill, the greatest asset of any business. When a successful going concern changes hands or offers its stock on the market, the goodwill generally can be sold for more than the tangible assets. Goodwill is defined by Webster as "the advantage in custom which the business has acquired beyond the mere value of what it sells." For the practical business man we have a far simpler, more profitable, and more easily understood definition of goodwill: *the customers' feeling that they had rather deal with us.*

Here is the first essential of goodwill: No matter how pleasant we may be, no matter how attractive may be all the other features of our store, we cannot have any profitable goodwill unless we have the goods the customers wish. A store filled with desirable free services but containing no goods could have no salable goodwill.

In less degree this condition of no goods—at least not what the customer wants in colors, styles, materials, sizes—is essentially what has been happening too often in every store operated by the old methods. If, in natural defense of his store, any retailer in reading thus far resents or opposes this statement, let me ask him for a moment mentally to take

[1] A good instance is a stock of women's shoes in new styles. Unless such a stock is bought scientifically, substituting facts for opinions, the store is caught on one of the horns of a dilemma. Either the store cannot supply all the lengths and widths called for in the new styles, or, if it can supply them, numerous lots and sizes and lengths which are not in sufficient demand will fail to sell out completely before the styles have gone out of date.

stock of one of his departments. If he has too many lines in a department, it is manifestly impossible for him to keep an assortment of all sizes and styles in each color. Such an assortment would mean a stock so large that any profit would be swallowed up in the depreciation of the goods through too slow a rate of turnover. Moreover, he would not be open to buy the desirable newer styles as fast as they are being produced.

The second essential of goodwill is price—price that is both good value and what the customer is willing to pay. We shall not increase the goodwill of a store very much if we carry no dresses at less than $500 each, no shoes at less than $100 a pair, no furniture at less than $1,000. We must have prices that are within the reach of the customers we are catering for and that fit their ability to pay. This seems so obvious that it should be unnecessary to say it, but any examination will show that some of the greatest mistakes of business are made along this very line. Prices are most often set by tradition, sometimes supported by incomplete and fallacious store statistics. A Model Stock is, of course, priced scientifically and, when this is properly done, at exactly the right levels.

Perhaps a better name could be found for the Model Stock Plan. "Plan," by its common business usage, rather smacks of a system, of a succession of printed forms. The Model Stock Plan is truly a set of practical business principles that makes more profits for those who use it.

Where it has been accepted as a set of principles of which forms and statistics are merely helpful tools, it has uniformly succeeded. In some businesses of sufficiently simple organization, the principles have paid huge returns without the use of such tools. Ford's billion-dollar fortune has been based on the idea of giving a whole stock of bargains profitably priced below general competition, a complete line in a limited price range. This has required thinking rather than systems, for a line of automobiles is simple to merchandise in comparison with a department store stock. But where anyone has taken the tools of the Model Stock Plan

without its principles, he has failed to attain its full profit possibilities.

In its entirety the method leads to having the right goods, at the right prices, in the right quantities, at the right time. Essentially it is a process of planning a consistently attractive, profitable stock. This process leads us into every activity of the business. It exerts a constant pressure for getting the customer better values. Consequently, we are forced to strive always in that direction, enlisting the cooperation of manufacturers and others from whom we get merchandise. The method supplies both retailer and manufacturer with a specific guide to progress. The retailer, who has the best chance of all to get intimate, first-hand knowledge of the wants of customers, works under this plan in a way that the manufacturer understands, by which he can anticipate his wants. He can render a real service. This is, of course, what happened conspicuously with Woolworth's—building a whole stock to two prices so low that they are practically one, giving customers values never before known for a nickel or a dime, and making a stupendous total profit in the process.

Other retailers have no free choice about adopting some such scientific method as the Model Stock Plan. It is compulsory. If you believe this is overstatement, let us look for a moment at what is happening. The chain stores are not alone picking the best and most salable and, therefore, the most profitable lines of independent stores, but also the big profits of the chains are inducing more people to create still more chains, which in turn are picking more of the profitable lines of merchandise. As the chains encroach on more and more lines of the independent store and thus on its total sales, the independent store's overhead increases on the diminished number of sales. The average independent store is increasing its volume of sales—a little. It is not increasing at the rate that was formerly considered satisfactory. The chains are increasing their sales volumes at a far faster rate, and the more the chains succeed the more opportunity they have to succeed and overcome other

agencies of distribution[1]—unless these other agencies adopt the Model Stock Plan.

If the chains take away a large percentage of business, the overhead of the remaining departments, larger already than that of the chains, becomes still larger. Lines of goods not especially attractive before to the chains now become attractive, therefore, as they are brought into the range where the chain stores can undersell the independent store. Unless independent stores adopt methods to meet and beat this competition, by far the greatest part of the independent merchants must succumb to chain stores operating in their own fields. Plainly, independent retailers are taking a dangerous chance by merely waiting, doing nothing effective about it. If this is continued *the chains will eventually sell all lines of goods that independent stores are carrying.*

The Model Stock Plan enables us, through added efficiencies in retailing, to beat chain and other competition and make a profit, even though the competition may be an organization of greater buying power. Hard as this is to accomplish in the face of some competition today, it is nevertheless perfectly possible, as we shall see.

Distribution charges, in general, double the cost of goods from producer to consumer. Sometimes the price triples or quadruples. This does not mean retailers are profiteers, for their net profits average less than 5 per cent. But it does mean that an indefensible increase occurs between production cost and what the consumer pays, due to preventable waste. Distributors must bear in mind that unless they conquer this waste they will be replaced:

1. By others who can conquer it, or

2. By direct distribution of mass producers whose success has come by conquering the wastes in production and who, therefore, cannot let these gains be canceled out by wastes in distribution.

There is no excuse for excessive distribution charges amounting to colossal wastes. Distribution adds not one

[1] In 1928, for the first time, the total sales of chain stores exceeded the total sales of department stores in the United States.

cent to the intrinsic value of the products. To me, it seems clear that distribution cost should be less, much less, than the initial production cost.[1]

Imagine that we buy at a poultry farm a freshly dressed chicken for 75 cents and require that it be sent home for us. "Give me another dollar for delivery charges," the farmer says. In this instance, the cost may possibly be justified. This proportion of 75 cents for intrinsic value—production cost—and $1 for distribution cost is typical of what we have in merchandise distribution today. The condition is no less real where the consumer, buying something else in ordinary channels of distribution, pays the whole $1.75 at one time and has no definite facts about what proportions of the total price are, respectively, production cost and distribution cost.

It is in reducing these distribution wastes that we are primarily interested. As we reduce them, we increase the buying power of our customers. Thereby we increase our volume of sales. Thus we increase our total profits and add greatly to the security of our business against competitive inroads.

Lower and lower prices, down to the lowest practical limit, with all waste eliminated, resulting in greater and greater sales; this is our way to greatest total profits. Mass production has accomplished much toward its realization in the

[1] If we set about looking for exceptions, we can easily enough find some. In New England, for example, or in Minnesota and the Dakotas, coal must be shipped in from considerable distances. At the mine mouth, coal costs comparatively little. The cost of physically moving a ton of coal several hundred miles by rail or water is great because of its bulk. The cost of trucking it from the railside or waterside yard to a householder's coal bin is necessarily great. It is comprehensible, then, that coal in his basement should cost a Boston householder far more than twice its cost at the mine mouth. The same thing, due to perishability and unavoidable losses in shipping and handling, is true of highly perishable fruits such as, perhaps, winter strawberries grown in Florida and sold in Chicago. But, despite a great number of exceptions that might be cited, the general statement is true that distribution costs should be less than production costs. I believe that at least 85 per cent of the goods on which life and material happiness depend, the articles that require the greater share of consumers' incomes, the things that make prosperity possible and keep our people at work are subject to an enormous drain of avoidable waste. And these wastes, by curtailing the average customer's consumption, are a real obstacle to a still greater national prosperity that is perfectly attainable and far beyond anything that our, or any other, people has ever enjoyed.

factories. It is in distribution, now, that we have the greater opportunities for progress—and profit. This is what the Model Stock Plan will help you and me to accomplish.

Let us sum up, then, what we may expect from studying the plan as it is explained in this book. It is not a plan of statistics to be used automatically as a substitute for thinking. It is much more than a set of statistics. It is a simple, improved research method of planning from facts; a logically thought-out, definite way of employing all the forces, some of which are intangible, that can be called to the aid of the executive officers and of department heads when they try to forecast demand and do the one big job that is required of them, namely, to have the right goods, at the right time, at the right prices, and in the right quantities.

Fully carried out, the Model Stock Plan will give an increased impetus to our business. By absorbing the principles of the plan and then applying the methods that inescapably follow, we may count on making greater total profits by adding to our own native abilities the irresistible force of the basic changes that are taking place right now in distribution.

CHAPTER II

CHOOSING PRICE LEVELS TO INCREASE SALES

The price levels that serve customers best. Simplification and standardization of retail prices. How customers set our prices. The three full lines and full-line prices. Standardized prices give the store Woolworth's buying advantages, increased because at higher price levels. The Model Stock Plan helps the buyer get far better values where mass demand centers. No in-between prices. Standardized prices help in group buying. Better assortments, better values, greater sales. A complete stock not necessarily large. Theoretically complete or commercially complete? Losing customers by short stocks. Fewer prices, easier selling. Why not four full lines? How different stores' trade overlaps. Records and experience in setting prices. Common sense in prices. How often shall full-line prices change? Consistency in price appeal. The Model Stock Plan for the store as a whole. Price, quality, and style.

We are now ready to see specifically how to set our selling prices at the levels that serve the customers best and that will, therefore, result in the greatest total profits to us. We must start our whole examination of Model Stock Plan merchandising from this point, for the right price levels are basic in building goodwill of the kind that brings customers past other stores to trade with us.

Buying bulks around certain prices. This is the fact that makes possible the Model Stock Plan. No store has as yet discovered how it can keep complete stocks covering the whole price range from the very lowest to the very highest and, at the same time, turn such great stocks often enough to earn an adequate total profit.[1] This is generally recognized. Each store has its price individuality. The public knows it as "exclusive" or "popular priced" or whatever

[1] Perhaps a half dozen of the largest department stores in the United States have succeeded in catering to practically all economic levels of the buying public. These are not exceptions to our principle but illustrations of its inclusiveness. Actually, such a store must be regarded as an aggregation of single stores, not as itself a single store. Considered in this light, the apparent exception to the rule is seen to conform.

may be its principal characteristic. On this reputation it stands or falls.

As people from a given level of economic life find the stock and atmosphere of a store to their taste, others of the same income groups follow. The retailer observes a steady demand for goods of the sort these people buy and tries to supply them.

We all know that while his store is small the merchant is in such close personal contact with his buying public that he is likely to recognize the impossibility of stretching his capital over too wide a range of prices. By the time most stores grow to good size examination will show that they are offering goods for sale at far too many prices. The advantage of having fewer price levels may not at first glance be obvious. It is none the less real.

Successful business men accept and act on the principle of simplification, the great advantages of eliminating needless varieties.[1] Price simplification and standardization are quite as advantageous. And the Model Stock Plan is actually the first comprehensive practical method for simplifying and standardizing prices. When we get a real simplification and standardization of retail prices eliminating wastes in retail distribution and working back into production to help manufacturers eliminate their wastes, the resultant savings to business and to consumers will far exceed the savings that have come as yet from simplification of varieties.

How many price lines should our store have? In accordance with our policy of substituting facts for opinions, we must look to our customers and their buying habits for the answer. Let us say that our average woman customer, the average of the economic level we serve, pays $10 for a street

[1] How generally simplification of varieties has been accepted throughout industry is exemplified by the large number of industries—constantly increasing—that have reduced the number of varieties by industry-wide agreement arrived at under the auspices of the Division of Simplified Practice, Bureau of Standards, U. S. Department of Commerce. This work was initiated by President Hoover while he was Secretary of Commerce and has been continued actively by his successors in this office. The division estimates conservatively that this simplification is saving American industry $300,000,000 a year.

hat for ordinary everyday wear. For the purpose of illustrating the principle, this price is as good as any. Perhaps your trade falls at a higher or lower level. Perhaps you do not deal in hats, but sell radio receiving sets or furniture or anything else. The example is just as good as though it were selected to fit your particular price level or your particular type of merchandise, for it serves to illustrate the principle.

Our average customer, then, buys a $10 hat for everyday wear. But there are times when she wants a hat a little better than ordinary, it may be to wear to an elaborate luncheon or simply because she feels more prosperous than usual. So she wants to pay more, perhaps $15.[1] Conversely, she may want or be obliged to economize. Under these conditions she pays less, say, $5.

The exact figures are important in operating our store; but in explaining the method, these arbitrary figures will serve to illustrate the point. Our average customer pays in the main, therefore, three different prices for hats accordingly as she wants something inexpensive, for everyday wear, or for best. She behaves similarly in respect to every class of goods, whether it is shoes at $5, $8, and $12, or cloth coats at $25, $40, and $60.

Our customers are not all of one income class, however. For our more prosperous customer a $15 hat is for everyday wear, a $10 hat inexpensive, a $25 hat best. Our less prosperous customer considers a $10 hat expensive, a $5 hat for everyday wear, a $3 hat cheap.

Let us tabulate this to visualize the demand:

	Inexpensive	Everyday	Best
Low-income customer	$ 3	$ 5	$10
Average customer	5	10	15
Higher-income customer	10	15	25

[1] Actually, a good many of our customers will wish to pay more than $15. The best and most profitable way of handling this situation will be dealt with subsequently.

It is obvious that almost all of our customers buy at $10 at one time or another. While our average and low-income customers both at times buy at $5, there is no demand at that price from our higher-income customers. Similarly, there is only a partial demand at $15. While there is a demand at $3 and $25, the demand is limited.

Experience shows that $5, $10, and $15, in this case, are the points at which our full lines would be carried. It shows also that at $3 and $25 the demand is insufficient to warrant a full line. The tendency of the customer will be to go for this type of merchandise to a cheaper or to a more exclusive store. We shall meet and profit by this tendency in our bargain basement and in our de luxe departments, which will be described in detail in subsequent chapters.[1]

The three prices, $5, $10, and $15, are the three "full-line prices," and are known respectively as the "cheapest full-line price," "best-selling full-line price," "highest full-line price." The three full lines at those prices are the "cheapest-priced full line," "best-selling full line," and "highest-priced full line."

The Model Stock Plan, in respect to price lines, consists of buying merchandise to sell at three prices for each line of goods.[2]

The cheapest-priced full line is at the lowest price at which any class of goods can be produced and sold, provided the goods are of such good quality that customers will buy them again and again.

The highest-priced full line is at the highest price at which their incomes will allow the great majority of our customers to buy.

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[1] If your store's trade is not represented by $5, $10, and $15, of course your three full-line prices will vary from those used in this chapter for illustration. Use of a basement store to supply trade for prices less than the cheapest full line is explained in Chap. VI, p. 82; use of a de luxe department to supply customers' requirements above the highest-priced full line is explained in Chap. V, p. 68.

[2] It will occur to the mind of any experienced retailer that manufacturers' or wholesalers' prices are very many; that each has far more than three prices for a single class of merchandise; and that many of the most desirable items may not be offered at wholesale prices that permit retailing at one of our three full-line prices. The Model Stock Plan turns this fact to a more-total-profit advantage, as will be shown on p. 19.

The best-selling full line is at the intermediate price at which all of our customers buy at one time or another, at which most of our customers buy all of the time, and at which we, consequently, sell the most goods.

The average producer makes no particular effort to avoid an indefinite number of variations in price. He usually makes up his mind what material, style, and kind of goods he wants to manufacture. Then he finds out what the article so made costs him and fixes his profit on top of that.

This is exactly the opposite of Ford's policy which, by his own statement, is: "I first reduce the price to a point where I believe more sales will result. Then we go ahead and try to make the price. I do not bother about costs. The new price forces the costs down . . . No one knows what a cost ought to be . . . I can make more discoveries concerning manufacturing and selling under this forced method than by any method of leisurely investigation."

Of course, customers do not fall into three clearly delineated classes by incomes and purchasing powers. If we list them in order by actual incomes, we shall find the differences so slight that the intervals are hardly perceptible all the way from bottom to top of the purchasing power of the masses of our customers. Experience has shown, however, that at any one time there are certain prices which the public regards as the season's prices.

If, for our class of trade, the three prices of popular demand in dresses, that is, the three full-line prices—the prices at which the public demands that the retailer supply the best he can for the money—are $15, $25, and $35, then customers will come in expecting to find dresses at those prices. The advantages of the Model Stock Plan are such that the customer on examination will usually find at $15—the cheapest full line—almost all the desirable dresses that competitors who do not use the Model Stock Plan offer at prices up to our best-selling full-line price. Therefore, if by any chance she is still not satisfied with our $15 dresses, she will generally go to the next higher full-line price, provided our full-line prices are right. The customer, for example,

who is on the border line between being "average" and "higher income" will, when buying a dress for regular wear, decide between the $25 and $35 dresses according to her willingness to spend and her preference as to whether she would rather have a number of $25 dresses a year or not quite so many dresses of better quality.

It might seem that this loses us dollar volume by making only a $25 sale to a customer who comes in for a $25 dress but who otherwise might be induced to pay $27.50 or $30; we know she is not likely to pay $35, which is $10 more. The answer is, of course, that if we can regularly give her at $25 dresses for which she would elsewhere be charged $27.50 or $30.00 or even $35.00 we shall make her into a steady customer who will do in our store as much of her buying as she can. By the consequent additional volume we get from her, and from the other customers drawn by the increasing goodwill and reputation of the store, we materially increase our total sales and our total profits.

Perhaps we are wondering whether we shall actually be able to give her at $25 articles of so much more than ordinary value. Any doubt will be removed as soon as we realize that when once these three full-line prices have been fixed, the buyer buying for any one of these prices goes at his problem exactly as Woolworth's buyer does for his five- and ten-cent goods with such remarkable success.

The Woolworth buyer flatly refuses to buy anything at a price that would necessitate selling it to the customer at 12 or 25 cents. But he does not dismiss desirable goods from consideration just because of the 1 or 2 cents—or even, perhaps, 25 cents—excess above his established selling price. Instead, he tries his utmost, on any item he wants, to work out with the manufacturer a way by which the producer can profitably sell him the article in quantity at a figure that will permit Woolworth's to retail it at 10 cents.

Woolworth's obtains far greater values than anyone believed possible before their stores actually accomplished it and built up tremendous sales volume in consequence. We must always keep in mind that Woolworth's achievements

have been at the very lowest price levels, where every kind of hindrance to the full development of the Model Stock Plan is met with and where the development of the possibilities of this plan is hampered and diminished. The lines of merchandise at levels above five- and ten-cent retail levels have never had the benefit of one-tenth the effort that has for years been devoted by manufacturers and producers to getting their goods into mass production at the prices that Woolworth's can afford to pay.

The opportunity that awaits us when we apply the same process to our higher-priced lines is proportionately ten times greater than Woolworth's. There is, as yet, no real competition of mass distribution in the higher-priced fields.

Our dress department buyer will employ his ability and skill to devise ways to buy a dress intended to retail for $30 or even $35 at a cost—through cooperating with the manufacturer, probably by a bulk order—so that he can retail it for $25. *The great power of the Model Stock Plan is that the buyer must use all his ability and experience to get these better goods at his three full-line prices.* From experience I know that for the highest-priced full line we can obtain almost all goods above the highest full-line price that can be sold in large quantities.

But just when the store owner or department buyer who has been doing things in the old way believes he is convinced that he should have only three full-line prices at, say, $15, $25, and $35, into his mind will come something like this: "I shall get a dress offered me at wholesale for $15 or $16 and, therefore, I shall need a price at $22.50. Or goods will be offered me at $12 that my competitor will probably sell at $18. Therefore I must have in-between prices."

He does not need any in-between prices. Neither do we. Let us assume that in our store, before applying the Model Stock Plan to one of the three price levels, we had six prices including $15 and up to but not including $25. At these six prices we regularly sold a total of 1,200 dresses per season, so we bought an average of 200 dresses at each of these prices. But when we applied the Model Stock Plan we eliminated five

of these prices, leaving only the $15 price. We now need to buy 1,200 dresses to sell at our $15 price. We are now able to deal with large manufacturers who make their dresses by mass production; or else we can purchase from smaller manufacturers in the same large quantities and help them attain mass-production economies.

If we have any doubt whether we can do this, we can remove it by studying the assortments in one-price women's or men's shoe stores, or the one-price women's dress shops, even at as low a price as $10.75. Nobody who lacks actual experience in this field can easily appreciate how radically prices can be reduced if distributors and producers cooperate sincerely to conquer wastes in production and distribution.

If $10.75 dress shops or men's and women's one-price shoe stores fail to convince us, then let us have a look at Woolworth's, Grant's, and Kresge's stores, even if we sell fine goods. From the display counters of these fixed-price chain stores we can get an idea of how prices can be reduced. In every department of these stores—but if we are hurried we can concentrate on the toilet goods section at Woolworth's—we shall have our eyes opened. We shall see what high-quality goods can, under compulsion, be got down into the cheapest full-line price. If the producer can find no other way to get his high-cost goods into a Woolworth store, he finds a way by diminishing the quantity in the package without tampering with its generally recognized quality.

Here is the way it works out in everyday experience with the Model Stock Plan. Let us suppose that our best-selling full-line price for an article is $1. The wholesale price on this $1 article is, let us say, $8 a dozen.

Competition will be strong among manufacturers to supply the demand for this article. If supply is larger than demand, the manufacturer's profit will gradually be squeezed down or out. He will either, in order to get the trade, make a better or more costly article for $8 or else cut his price for the article to, say, $7.50.

Assume that, to get a better average profit, a manufacturer makes something to sell against the $8 a dozen article, and

lists it at $9, making it as attractive as possible but keeping it more profitable for himself than the $8 article. His argument to buyers is about as follows: "See how much nicer this is. It costs only 8 cents apiece more. You can sell it easily for 25 cents more. So it's more profitable for you."

The argument sounds convincing. It would be, but for one thing: the retail demand actually bulks at the $1 price. Nothing that the manufacturer does will materially alter this fact. The mass demand for that line centers on $1 goods and not on goods priced at $1.25 or even $1.15. If the retailer buys heavily in the $9 line as a result of the manufacturer's persuasion and marks the article at $1.25, it is certain that the goods, or a considerable portion of them, will have to be marked down finally to $1.

Now, with the Model Stock Plan, the buyer, when he is shown the $9 article, knows he can sell it readily for $1 but not for more. Moreover, he knows that if he can get it to sell for $1 he will sell not only the article itself but also an increased quantity of the other $1 goods of his best-selling full line; for it is impossible to satisfy all customers with one style. Therefore, he will do what the average buyer does: that is, try to buy the article for $8. But there the resemblance will cease.

I know from experience that the average buyer, finding a good deal of resistance to a price reduction, will often be satisfied with the argument that he can get $1.25 for the article. After buying and trying to sell at that price, he will finally be forced to take mark-downs, because he has gone counter to the real buying demand of the masses of his customers. Even if he is successful in selling fair quantities of the goods at $1.25 by supersalesmanship and superpublicity, he is hurting the goodwill of his business in selling them and making less total profits with a great deal larger expense than if he fitted his selling into the stream of his customers' demands. He has erred by allowing himself to be influenced more by a manufacturer's desire to sell at a given price than by the group desire of customers to buy at a given price.

The buyer with the Model Stock Plan knows that he ought not try to get $1.25 for the article. If he cannot buy it for $8 he will perhaps pay $8.50, if it is sufficiently attractive, and still sell it for $1. Undoubtedly he will be able to buy it for $8 in a very short time if he can place orders for large quantities. Moreover, if by the Model Stock Plan he has largely increased the amount of this article he can sell, the chances are that he will, before long, buy it for even less, as the manufacturer is enabled to lower his cost by production in larger quantities. Nevertheless, he will not delude himself, in any event, by buying to sell at a price which the average customer does not want to pay.

Right here it is worth pausing to point out that we shall not, under the Model Stock Plan, do anything to harm the producer. It is most shortsighted to cut the producer's profit unduly or unfairly. The price we can pay for our merchandise is predicated on the assumption that the producer has eliminated waste to the greatest practical degree; if he wants to use our volume as a means to eliminate this waste or to eliminate some of the costly hazard in his style production, he may be willing to make us a mass-production price on mass quantities before he has achieved his mass-production economies. As soon as he has attained these economies, it is for our interest, as distributors, to help him earn a profit, so that he can, by his constantly growing experience and by reinvestment in equipment, cut out still more waste. There is no profit for the distributor in having the producer lose money. In the long run, the distributor and the customers have to pay for any such losses.

How does this affect our goodwill? Simply that when we are using the Model Stock Plan scientifically, people, attracted by style novelties to the higher-priced stores with prices perhaps beyond what they want to pay, will soon learn that *they can very often find the same thing in one of our full-line prices or, in any event, the same style in satisfactory merchandise of less expensive quality.*

Many an experienced merchant or department buyer does not believe it is possible to do all of his business on a single

class of goods at only three full-line prices without any in-between prices. When the Model Stock Plan is being installed in our store we may find it advisable to permit, temporarily, some in-between prices to bring about this condition gradually. This is not for the proper functioning of the Model Stock Plan but rather a concession to the weaknesses of human nature, a means to reduce the opposition of people in our organization who, as yet, do not fully understand the principles of this method of merchandising. This will be necessary only until experience shows them how possible and practicable it is to do without in-between prices.

As a starter it may be enough to concentrate on three price levels, also permitting some in-between prices until the idea has been absorbed into the working habits and consciousness of the merchandising people of the store. In actual practice, these goods that fall by a process of cost plus mark-up at in-between prices can almost invariably be obtained at a price—profitable to the producer, too—which will allow them to be sold profitably at the full-line price.[1]

Actually, when the Model Stock Plan was first tried out, we provided for in-between prices as an integral part of it because we did not know the full possibilities of the plan. My first book about the Model Stock Plan[2] specifically provided for in-between prices. But experience since then and special study of the rapid growth of standardized-price chains have shown clearly that the greatest increases in total profits will come if we have only the three prices, with absolutely no in-between prices. So in-between prices have been cut out of the whole plan.

Another point in this connection is the general belief among retailers—and the general practice—that special "bargain" attractions are necessary to meet competition in special advertising. As long as this is thought necessary the best kind of bargain is to put into the offer at the full-

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[1] Chapter XI, p. 147, deals in detail with these phases of buying under the Model Stock Plan which lead to having an entire stock of bargains.

[2] FILENE, EDWARD A., "More Profits from Merchandising," McGraw-Hill Book Company, Inc., New York, 1925.

line prices those articles which cannot immediately, in spite of our utmost exertions, be bought to sell at the full rate of profit at the full-line price. Under traditional methods, these items would be marked at in-between prices to yield the planned profit of the department. By our plan, even though these goods might have to be sold at a smaller percentage of profit at the full-line price, it can be seen at once how much better it is to draw with special attractions to a full-line price where the customer will find an incomparably better assortment than competitors have at the advertised special bargain price for which she comes into the store.

No experienced retailer believes he can sell all customers from advertised lots; there are too many variations in desires as to style, color, and so on. But at the full-line prices we are almost sure to have a stock adequate to meet these variations in desires.

Another real advantage of having three scientifically set price lines has to do with the trend toward mergers, consolidations, the formation of voluntary chains, and buying groups. The time is coming, and soon, when practically every store will be forced by competition to avail itself of the buying advantages of some one of these modern merchandising forms.

But as all of us know who have had any experience with group buying, the greatest handicap to its proper functioning is the difficulty of agreeing on the prices that goods are to be bought to sell at. To get the advantage of mass buying, orders must be large enough to permit the manufacturer to make mass-production economies. In group buying such orders are generally possible only if all of the member stores agree upon the three factually determined price levels for each class of merchandise. So if our store operates on three price levels properly set under the Model Stock Plan, we are in the best possible situation to band ourselves with other Model Stock Plan stores to get the greater profits attainable from consolidating the orders of many stores.

Let us now tabulate the major more-profit advantages from using the three full lines of a Model Stock:

1. Far better assortments, because we have fewer different prices to spread our stock over.

2. Far better values, for, by simplification of prices, we are applying the same principles that give Woolworth's such extraordinary values.

3. Far greater sales, coming from our better assortments and better values—and, from these, still greater sales because of resultant mass buying and mass selling.

In using the Model Stock Plan, then, we concentrate complete assortments effectively at the three price levels at which the greatest number of people buy.

The three price levels are actually the three mass-selling prices at which the greatest number of people buy, at which stocks move most quickly, and at which the most merchandise can be sold. There is nothing arbitrary about these three full-line prices. They are specifically determined by that section of the community's pocketbook upon which a store depends for the bulk of its customers. They are compulsory, necessary, and scientific.

There is great strength in the argument for having goods above the highest-priced full line even if they cannot be obtained at prices to be sold profitably as highest-priced full-line goods. There is a definite publicity value in having—preferably in a de luxe department—as high-priced goods as any store keeps in specialties, style goods, and the like. The same reasoning applies to goods below the cheapest full line, preferably handled in a basement store.[1]

Putting aside for the moment, then, consideration of goods above and below the three full-price lines, we may classify merchandise in any given line in our store as:

1. Highest-priced full line.
2. Best-selling full line.
3. Cheapest-priced full line.

A natural inquiry is: "Why may we not have four full-line prices rather than three; would not the fourth line increase our sales materially?"

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[1] See Chaps. V and VI.

The answer to this is that we could not do business *in bulk* at four full-line prices without adding another class of customers. To follow through with the illustration of women's hats: if we wish to do business in bulk with customers for whom $3 is the usual price they can afford to pay for a hat, we must add for them a more inexpensive hat at $2 or at $1.50.

Experience has shown that no retailer in a large community can cater to too broad a section of the economic scale, because people of such widely different income levels will not trade in large numbers at the same store. Either the additional line will fail to sell in sufficient quantities to make it profitable as a fourth full line, or—what is more probable—the demand at $15 will fall off and $3, $5, and $10 will become the three full-line prices instead of $5, $10, and $15; in other words, there will be a definite shifting to a lower-priced class of trade.

If $20 were the added fourth full-line price, the likelihood is still greater that the fourth full line will fail, because it is much easier to trade down than to trade up.

A merchandise executive who had followed the three-full-line plan without absorbing its basic principles once told me that he thought "best-selling full line" a misnomer, mentioning a department in which the largest sales volume was in the cheapest full line, and the so-called "best-selling full line" was actually second best. From the very definition of the best-selling full line, it cannot be overshadowed in sales volume by another price line unless some factor has been given a wrong value. In the department in question either the line prices were incorrectly established—probably the buyer was trying to trade too high and should make his present cheapest full line his best-selling full line, with a new cheapest full line below it—or his stock in the best-selling full line was so weak that the store's possible customers were buying best-selling full-line merchandise of his competitors.

The starting point for buying a line of merchandise scientifically—and the backbone of the Model Stock Plan—is determining the prices at which, at a given time, the

largest number of people buy. Setting these full-line prices accurately is vital to the success of the plan.

We can check each of our full-line prices against carefully selected stores. I have three actual stores in mind, which I shall designate with numbers: 1 is an exclusive store, 2 is a popular store, and 3 is a low-price store.

These distinctions are not absolute. Rather, they are characteristic. Naturally, the business of store 3 does not begin with low-priced merchandise precisely where 2 stops; nor does 1 begin with high-priced merchandise where 2 stops in that direction. The business of all three overlaps to an extent.[1] Thus, store 1 may carry a given line of goods as its cheapest full line, while store 3 may carry the same goods as its highest-priced full line; and these goods may be the best-selling full line of store 2. This fact indicates the value of correcting our full-line prices, as shown by our sales records, against what we can learn about the goods that are actually selling in quantities in other stores.

The tendency, on an unscientific basis, is almost always to fix the higher prices speculatively with the idea that the mass of retail customers, being attracted by the article, will pay the price at which it is marked. And so the mass of customers will pay it, sometimes. But they will not pay it and cannot pay it, as a rule; that is, the article cannot be steadily sold in great quantities at this erratic price set to get as much profit as possible. So the total sales are lessened, and the percentage of overhead or indirect expense is consequently increased. Thus the traditional method of fixing price levels tends to increase the store's cost of doing business.

But, as soon as the three prices which the average income of our customers will allow them to pay is factually fixed, the buyer for this market at these prices will center his

[1] Many a merchant who handles the "better trade" would be surprised to find how many articles his customers, prosperous as they are, buy in five- and ten-cent chain stores, dollar chain stores, and the like. This fact, which is not yet widely recognized, makes it probable that more and more, even of the higher-price stores, will establish basement stores.

ambition on getting at these prices everything possible that is sold at a higher price, exactly as do Woolworth's buyers.[1]

To return to specific ways of setting price levels scientifically, there are two general methods open: (1) by sales records kept for that purpose; (2) by what we can learn from other stores and all other sources, including our own business experience.

The price of each full line must, to an extent, be determined in relation to prices at which competitive stores do their largest business. From long experience let me warn especially against the dangers of implicit trust in store statistics. Properly kept and used with discretion, they are a genuine help when carefully considered as a partial means of determining full-line prices. But they are not necessarily trustworthy.

An outstanding danger of keeping statistics is that when the average retailer gets as far as using statistics, he believes he is being scientific and, therefore, is cocksure that he is always right. Store statistics can seldom be used as the sole guide. They must be interpreted in the light of corollary fact and logic—*not* opinion.

For example, suppose that in our store we intend to sell the largest volume of gloves at $1.50 and that the cheapest full line is $1. But if customers always see $1 gloves displayed more prominently, their resultant purchasing will bring $1 gloves into the statistical position of being our best-selling full line. If we believe our statistics, then, we shall have to come down to $1 for our best-selling full line and provide a lower line for our cheapest full line, which is, of course, exactly what we should not do. Instead, we should revise our store methods so that our $1.50 line, the correct best-selling price at which most customers will most readily buy, should actually be our best-selling line and have an opportunity to earn for us the greatest total profits.

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[1] As we shall see on p. 150, the head and principal owner of one of the most successful chains stated recently that no other quality in a buyer is so valuable as the training that he receives in buying to sell at a fixed retail price.

Or let us consider an enlightening instance in connection with store statistics and comparative competitive prices which still exists in the men's shoe department at one metropolitan store. The cheapest full line was formerly $7.50; it has been reduced to $6 and by store statistics looks right; but it is still too high for the store's trade. In this town are successful Thom McAn $4 shoe shops and many $5 specialty shoe shops. It therefore becomes clear that $6 is not the right price for the cheapest full line.[1]

If you and I are already alert, progressive retailers, we may feel that, as yet, there has been disclosed no important difference between what the Model Stock Plan requires and a great many of our established practices. Practically all retailers do actually—perhaps almost instinctively—buy large quantities of merchandise around the few prices for each line of goods at which that line sells in the greatest quantity. The point is that it is in its last 5 or 10 per cent of technical improvement over current practices that the Model Stock Plan offers its greatest opportunities to increase total profits. *The Model Stock Plan helps us to know that we know.* It helps us to analyze what we know and gives us the knowledge which means the difference between the greatese total profits and merely acceptable total profits. Probably, as the new methods of distribution, the new competition, now so clearly on the way become more widespread and effective, this knowledge will mean the difference between success and failure.

In setting our full-line prices store statistics and even competitive statistics are of less importance than the beginner at the Model Stock Plan might think. It is clear that regardless of what we have been selling or what competitors have been selling, the cheapest full line is made by production costs—by what we can buy it for.

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[1] In the store in question, the competition on these cheaper shoes is being met in its very successful basement store. But this does not alter the fact that the cheapest full line of the main store is improperly set. And if this store were not equipped with a better than ordinary basement store, its loss of sales volume from this cause would be serious.

The highest full-line price is probably best set by a process of reasoning altogether outside store statistics:

1. It cannot be a price at which a Rolls-Royce is sold.[1]

2. It depends on the average income level of our type of customers.[2] By the very definition of the highest-priced full line it is clear they cannot buy the bulk of their needs at this level. Especially in a store catering to the higher-income trade, care is needed to avoid "trading up" beyond the greatest total-profit limit, the point where the greatest number of sales and the greatest dollar volume should be attained.

3. Experience enters importantly. More mistakes are made by deductions from undigested experience than from any other single source, for experience may be based on results that are not at all indicative of the truth. But, in general, there has been built up in the experience of any store a broad knowledge of what are the highest prices that

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[1] Especially in the larger cities there is, of course, room for the profitable operation of stores confining their business to luxury goods. In his natural desire to gratify his personal preference for running a high-quality store, however, a merchant must be careful not to overrate the volume of this business that can be done in his particular community or with his particular clientele. The greatest inherent virtue in merchandising is not in selling highest-grade, high-priced articles but rather in performing the maximum service for customers, which is to sell them the right goods at the prices they can pay and still keep their budgets in balance. We must always keep in mind these diametrically opposed considerations: (1) pseudosocial recognition associated with dealing in the very top-quality merchandise; (2) real social service in serving the masses. Fortunately, the latter brings by far the greatest total profits.

[2] Government statistics show that the average wage earner's income in the United States and the income set as a minimum subsistence level for a wage earner's family of five persons are very close indeed. The average income is not high enough to allow these people, the mass-buying power of our community, to buy all goods at the highest-priced full line. But a great many of these customers from time to time buy an article from the highest-priced full line. Unless, then, our store draws its custom almost exclusively from the higher-income group of people, we know perfectly well that our customers cannot buy on a mass-purchasing basis at prices too high to be compatible with their incomes. It is worth remembering in this connection that the greatest of American businesses and fortunes have been built from catering to mass demand at prices the masses can pay. Such total profits as Ford's and Woolworth's could not have been made on products above most people's ability to pay. General Motors has consistently made far larger total profits from Chevrolets than from Cadillacs. Fortunately, the Model Stock Plan will make it far easier and far more profitable to sell very high-priced goods in the de luxe departments (see p. 68).

the class of trade it is catering to will most willingly pay.[1] We must keep in mind that unless this type of information is used discreetly, it may invalidate the greatest profit-making forces of the Model Stock Plan.

4. Studying what other successful stores are selling, close examination of their goods, their prices, and their apparent volumes at these prices is, as we know, almost sure to be extremely helpful to us.[2] By checking the different stores at the different levels of trade, we get a rather definite line on what is the best-selling price level for each of them.

With these steps in research and reasoning, we now have our possible price limits rather closely ascertained. We have made this progress not by traditional thinking and opinions but by really scientific methods. Having applied ourselves with concentration to the question of fixing our prices, we have by now come near to testing our prices, which is far better than making them, as they are now for the most part made, by rule of thumb. Instead of setting our prices by what the producer asks, we set our costs by what we can afford to pay for the established price lines and, therefore, tend always to obtain better value for our customers at the prices they will most willingly pay.[3] It is recognized by successful business men that our most profitable job is to buy for customers and not simply to have in mind selling to them.

This method of finding the right prices is not difficult. It requires, to begin with, somewhat more effort than does arbitrary opinion, but it is worth effort far beyond what it

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[1] Of course, we know that price ranges of different stores overlap, and one range in one store is another range in another. And we do need the records, instead of guesses or memory, to know what we have actually sold the most of. But we must have in mind that these records may be wrong. We need to know how records may mislead us.

[2] It may be, of course, that all of our competitors are inferior to us in their knowledge of the price levels that pay best. But unless we are already using the Model Stock Plan this is most unlikely.

[3] The Model Stock Plan includes another very great aid to avoiding errors in establishing the price lines, as is explained in Chap. III, p. 46. Essentially this consists of establishing one outstanding value in each class of goods at each price, comparing each item in our whole line with this item, and then shopping competitors closely on this item.

requires. In determining our prices we have the biggest lever in determining our profits.

If the price is right, there comes direct saving in publicity and sales effort all along the line. For a rightly set price has innate virtues that do not have to be extravagantly "pushed" to be recognized.

If the prices are set at wrong levels, not only may we be misled but also the whole Model Stock Plan may be prevented from functioning in the most profitable way. Aside from the effect on customers of offering less attractive values, since under the Model Stock Plan selling price determines what we shall or can buy, if we have a price that is 10 per cent too high, we lose the valuable stimulus of having to work hard to get into our three price levels goods that, as yet, are just beyond the reach of our fixed prices and so beyond the maximum mass-purchasing price of very important numbers of possible customers.

The prices of full lines need to be reviewed every season. Any one of several sets of conditions may alter them. No set of prices should be carried over to a new season unless we can prove that more merchandise is being sold, and should be sold, at those prices than at prices a little higher or lower.

There are, however, only two basic reasons for changing properly set full-line prices:

1. A radical change in the purchasing power of the community that we serve.

2. An important change in the value of the money with which it buys.

Changes in the value of the commodity itself can be met by giving a better or less value for the same price.

Of the fixed-price-level merchandisers, Woolworth's is certainly the most conspicuously successful. It is worth remembering that Woolworth's stores held firmly to their five- and ten-cent prices throughout the war and the post-war inflation.

Unquestionably it is to the advantage of a business that the full-line prices remain unaltered from year to year. A business may thereby acquire a "trade-mark" value on its

full-line prices, as customers learn from experience that they can always find what they want in large assortment at a given price at our store and find at that price very many of the better styles and better goods that are usually sold at higher prices.

As yet we have not touched on one extremely important phase of this three-price-level side of the Model Stock Plan. The point is, by setting our prices scientifically throughout every department, we bring about a real consistency of price appeal. It is easy to lose customers and goodwill by failing to have the corresponding qualities and prices in all other departments. For instance, the price lines in the dress goods department imply the same general values and prices in trimmings, linings, and the like.

Operated consistently in this respect, the Model Stock Plan brings about a uniformity of price that increases total sales. Let us look at another instance. Color is not the only measure of an ensemble. If a woman can find in one store all the garments and accessories to constitute an ensemble, that does not mean that she can or will buy in that store. If she buys a $25 dress she can presumably match the dress with shoes of appropriate color in the shoe department. But if the buyer of the shoe department believes in catering only to the higher-priced trade—in which, obviously, the buyer of the dress department does not believe—she may find no shoes to match at less than $20. If she can afford only a $25 dress she obviously cannot afford $20 shoes. Under the Model Stock Plan not only are prices set at three price levels to yield 85 per cent of the total sales of the store[1] but also they are set in each department at a level that matches the levels of the other departments.

In a store with a number of buyers, each in charge of a separate department, it is difficult to keep stocks consistent throughout. Buyers recognize, however, the value of the effort to keep merchandise in all departments up to a uniform proper standard. The Model Stock Plan goes through

[1] De luxe departments and the basement store account for the proportion of the store's sales outside the three full lines.

every department; it helps the management and the buyers to keep the same classes of goods in all lines.

The Model Stock Plan for a given department or a division of a department is not a whole in itself. It is a part— at times a very small part—of a large and significant whole. If the Model Stock Plan means anything at all it means a common-sense correlation of the department policies of the store as a whole.

It also has the merit of consolidating the merchandising power of the store, so that our buyers present a single front to our resources. One part does not fight other parts. That helps us in the market. It becomes known that our plan is effective. Our buyers' opportunities of getting right prices and good values, therefore, are much better.

On the side of selling, we must keep in mind that most goods are sold at retail not by specific pieces of advertising but by the tendency of the public to come to our store when they want our class of goods. We must ask ourselves frequently: *What makes customers pass other stores to come here?* And we must ask ourselves: *Why do they pass our store to go elsewhere?* The answer is that customers go where they find a consistently attractive stock at consistently lower average prices than other stores get for merchandise of the same quality and of equal style appeal. Price is recognized as the deciding factor most frequently; style and good taste are almost equally important. A customer will not keep coming to a store where she recognizes that she pays more or where she gets merchandise of poor style or questionable taste.

As I have frequently defined it, the Model Stock Plan is basically only the standardization of prices which has as great possibilities of greater service to the public as it has of greater total profits to the owner.

CHAPTER III

WHAT IS A MODEL STOCK?

Six steps to a Model Stock. A full line; "a given class of goods." Six classifications that make up a full line. The Best Buy, BB, and the More-Profit Item, MP. How they differ and how they supplement each other. Ideas *vs.* intrinsic worth. Mass-selling goods cannot be ugly. When the MP sells poorly. Must a BB sell at a low margin? Four BB principles. How to build a BB. When is a BB beaten? The BB as a measure of competition. Laying out BB's for comparison. How many BB's are needed? Substituting BB's for "bargains"; not a leader or bait. How BB's increase total profits. "Every day is bargain day all through our store."

A Model Stock is one which has the right goods, at the right time, in the right quantities, at the right prices. The Model Stock Plan provides the means by six distinct steps, all so closely related that they form an integral whole. The procedure is:

1. To determine for any given class of merchandise, and for all classes carried, the three prices—low, medium, and high—at which the largest quantity of this merchandise can be sold and the greatest total profit earned for the business.[1]

2. To concentrate probably 85 per cent of the stocks at these three prices.

3. To provide a scientific basis for building up a stock that will most profitably meet and beat competition.

4. To build up in the full lines really complete stocks that will turn over rapidly.

5. To regulate the sizes of stocks at any given time by a selling calendar that shows in detail consumers' buying habits.

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[1] The whole question of three full-line prices is explained in detail in Chap. II, p. 14. An understanding of Chap. II is essential to a full comprehension of the material set forth here.

6. To regulate buying by a buying calendar that shows in detail when resources are likely to be able to supply goods to our best advantage.

After all, the merchant's real task is buying *for* the public. The economic reason for our store's existence is that we fulfil a need in collecting merchandise in large quantities into a centralized place convenient for a large number of people to come to and buy in smaller quantities.

As we know, it is our function to bring into our store what our customers need or want. Then we must offer it to them in the right styles, varieties, kinds, and models, at the lowest prices. These prices, in order to bring us the greatest total profits, should be only high enough on each item to bring us a legitimate reward for our services. The better and more scientifically we perform this service the greater will be our total profits and the more valuable the goodwill of our business. The customer is the final judge whose decision makes or breaks our success as merchants.

A Model Stock, as we have already seen, is comprised of three full lines at the three price levels which move stocks rapidly. A full line may be defined as a stock of any given class of goods which includes every variety of style, in every color, in every size, and in every material that a customer can reasonably expect to obtain at the given price. This, in turn, calls for explanation of what constitutes "a given class of goods."

Let us take women's dresses as an example. In the store where the Model Stock Plan was developed by experience, women's dresses today can be bought for as low as $2 and as high as $165. Part of the range of prices between these two extremes is as follows:

Inexpensive	$ 2.00	$ 6.00	$ 9.00
Medium	11.00	17.00	23.00
Better	29.50	39.50	50.00

Plainly, if this store is following the Model Stock Plan, its merchandisers do not consider women's dresses "a given class of goods." In fact, there are several subdivisions,

each of which must be regarded as a separate class. In the lowest price range come inexpensive cotton house dresses, rayon, and the cheaper grade of silk dresses, with three full-line prices of about $2, $6, and $9. Just above this comes a class comprising medium-priced dresses at about $11, $17, and $23. In the next class are the better grade of dresses at about $29.50, $39.50, and $50.00.[1]

At each of these prices the buyer will plan to have in stock a full line. If he has a full line of silk dresses at $35, he has in that full line taffeta, silk, canton crepe silk, and dresses of any other silk materials in demand which a customer can expect to get for $35. Then he works out the different materials in all the styles desired; and he plans them according to the six classifications listed in the next paragraph. The buyer must satisfy all of these diverse wants at the $35 price. When he has done it, he has a full line of merchandise. He does the same sort of planning for each of his other full lines. *He cannot profitably keep such really complete assortments at too many prices.* He usually keeps such a complete assortment at no price. One of the greatest advantages of the Model Stock Plan is that *he can profitably keep a complete assortment at the three full-line prices.*

A full line consists of six definite classifications. If all six are properly maintained, we are assured an assortment of goods that fits almost precisely what almost all customers are looking for. The six classifications are:

1. Staples.
2. Style merchandise.
3. Novelties.
4. Outsizes (for stocks that have a size element).
5. A BB (Best Buy).
6. An MP (More-Profit Item).

Staples are, as we know, the class of goods commonly in demand, often year after year. Their place in a full line is obvious.

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[1] Even above these come the de luxe goods, the handling of which is treated in Chap. V, p. 68.

Style merchandise is, of course, subject to violent fluctuations of demand, as the current fashion shifts. What is good style today may be poor style tomorrow. As style has worked its way into many classes of merchandise that were previously not affected by it, it becomes an integral constituent of almost every full line.[1]

Novelties are the highly unusual items which, if they take, show a sudden bulk demand. Any novelty may in time become a staple; it is more likely to give way to other novelties and become obsolete. In some classes of merchandise they are far more important than in others.

Outsizes enter a line only if size is an element. For the most part these are items of clothing for those persons extraordinarily large or small or of unusual proportions. Some provision must be made in the full line for these persons; there must be merchandise in outsizes available to them. The man who wears a 13½ shirt will not buy his shirts in the boys' department, although naive salesmen have been known to suggest this. In a full line there must be definite stocks of the outsizes which can reasonably be demanded. Under the Model Stock Plan it has been found that gradually the supply makes the demand, and a growing trade is built up as the customers find that their demand is being catered to. So definite in value is this growth that it has resulted in very profitable special departments devoted only to outsizes. It is possible to increase total profits materially by getting our store generally regarded as a good place for outsizes.[2]

These four classes of merchandise—staples, style goods, novelties, and outsizes—are fairly obvious. The other two constituents of a full line of a Model Stock are not obvious—the Best Buy and the More-Profit Item. Their importance,

[1] It should be borne in mind that style is not so complicated a question as is usually thought. Much of the apparent complication has been artificially injected into the subject by fallacious thinking and by unjustifiable stimulation of new styles as a means of avoiding competition on a basis of value. This point is discussed in more detail in Chap. VIII, p. 111.

[2] This is also true of such highly special goods as mourning goods and maternity goods. The degree of specialization profitably possible with such goods is treated in Chap. XVI, p. 235.

however, is great. Since they demand considerable discussion throughout this book, they will be designated by the initials to which they are always abbreviated in store jargon: "BB" is the Best Buy; "MP" is the More-Profit Item.

The BB is the best value in our city at the price. The MP is a more profitable item which, at the same price, will sell in at least equal quantities with the BB.

The first measure of a BB is quality; it should be bought with the full expectation that it will carry less than the usual profit if bought in the usual way, because if we offer the best buy in the city *and have bought it in the usual way*, the same as our competitors buy it, then we must cut the profit to make it a BB. If we help the manufacturer to produce in larger quantities by placing large orders, however, and help him—as we can help—to reduce the great wastes that still exist in his expense of producing and selling, the saving will enable him to put additional quality into the article to make it a BB or profitably to reduce the price of a higher-priced article so as to bring it to our full-line price.

In the MP there must be something that will cause it to sell in at least equal quantities with the BB. But it should cost substantially less than the BB.

Offhand we might assume it would be hopeless to try to get articles so different and yet sell them side by side in large quantities at the same price. Why will not every customer take the BB? Why will some customers prefer to take an article of less intrinsic value that carries more profit for us?

Now, in fact, a perfect stock of merchandise would be an entire stock of "bargains." This is not in practice possible. But it can be, and in experience has been, approached much more closely than most of us now think possible. If we have something closely approaching an entire stock of bargains, then the MP is not necessary. For from such a stock we shall sell such a tremendous volume of merchandise, and our BB's will constitute so small a proportion of our total sales, that the shrinkage of our percentage of gross profit due to sales of BB's at a narrower than ordinary margin will be relatively inconsiderable.

To get clearly in mind the distinction between a BB and an MP, let us consider a typical example. A silversmith may take $10 worth of silver and make it into a plain silver dish. He will get $14 for it. Another silversmith may take only $8 worth of silver to make the same kind of dish; but his workmanship is superior in style and artistic ideas, so that his dish is not plain. He also gets $14 for his product. When the dishes are put side by side and shown to customers, one will feel herself better served by getting the dish that has $10 worth of silver but a small amount of art; another will prefer the dish with only $8 worth of silver and more art. The first gets exactly the kind of article meant by a BB; the second, on the other hand, gets an MP.

There is the distinction. *Ideas make the MP. Intrinsic worth makes the BB.*

Of course, it is an error to assume that because the price of a BB is right, the style must or may be wrong. It is clear that both price and style must be right to sell the great quantities. It is perfectly clear, moreover, that the price cannot be right if the style is such that people will not buy in quantities sufficient to get us the lowest production cost.

We must keep clearly in mind at all times that goods to be sold to the masses in mass quantities cannot be what the masses consider ugly. As excellent an instance as history affords is the dwindling of Ford's sales of his Model T when competition was supplying a far better looking car at a comparable price. As soon as Ford came out with the Model A, conforming to the best in small automobile style, Ford sales once more shot skyward. *Merely material value without good looks will not make a successful BB, any more than good looks without inherent value will make a satisfactory MP.* An MP should carry a larger gross profit; this contains no element of profiteering but is a reward to the merchant for applying to it art, style, science beyond the bare necessities of trade. If our MP does not sell so well as our BB, we shall make a smaller average percentage of profit on the two items under this arrangement. We may make larger total profits than if we had no BB or MP, however, since a BB should be profit-

able of itself even though its percentage of mark-up is comparatively low. A real BB turns over more rapidly, leaving satisfactory dollar profits even if the percentage profits should not seem satisfactory. If the MP does not sell well, there can be only one conclusion—we have not put enough applied science or applied art into it, we have not obtained the best MP we could get and should get.

The mark-up of the BB may have to be kept smaller until the full development and a better understanding of the Model Stock Plan give us the full power behind the idea. By then, we should be getting our BB at a price that yields us a full percentage of profit. Our object in having a BB is partly to gain goodwill by furnishing our customers the best value at the price to be had in our city and partly to have the best possible basis of comparison in buying the rest of our full line.

There may be circumstances, however, where for certain types of merchandise a BB must of necessity be sold at an extremely close profit, due to the type of competition on that particular article. In a circumstance of this sort, the answer is not in excluding the BB from this type of merchandise but rather in planning and developing two or perhaps even three MP's to counteract the effect of one extraordinarily low-margin BB. This, of course, does not mean an indiscriminate loading of a line with MP's but rather a careful balancing of the BB against the MP's, consistent with good values and a reasonable profit for the entire line. Also, of course, it means that it will pay us to put additional thought into the rest of the line so as to make all of the lines still more effective. If necessary, the BB rate of mark-up may be less at the beginning of the season than later. We must, however, work away from the idea of considering a BB bait to lure the customers into the store.[1]

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[1] Spasmodic bargains to tempt customers by prices that are temporarily low are bad business, unethical, unscientific. They teach customers to wait for advertised bargains and to deal only with stores when "sales" are announced. The BB, on the other hand, educates the customer to realize that the store always has bargains; and when it is used for internal store comparison, as is explained on p. 46, it serves to make values throughout

Four basic principles govern the whole subject of BB's in the Model Stock Plan. They are:

1. There shall be at least one BB in each full line.

2. Theoretically, at least, there should be in each class of goods a BB so distinctive that a customer will not be forced to buy another class as an alternative, so distinctive that we shall not lack a real measure by which we can build up the rest of the line of this special class of goods.

3. Following Rule 2 may at the beginning, at least, necessitate so many BB's as to make the management doubtful whether they may not cause losses—that is, may not sell too many goods at too close a margin of profit.

4. It should first be determined, therefore, whether a BB must necessarily be sold at too close a profit. If the type of competition is such that it must be sold at too little profit, then the number of BB's can be limited, with a minimum of one for each full line, and with a clear understanding that Rule 2 is to be applied to the fullest practical extent if the greatest total profit is to be obtained.[2]

A BB cannot be had for the wishing nor, as a rule, merely by scouring the market for bargains. Competition can seldom be profitably outdistanced so easily as that. Constructive thought must be put into the development of each real BB, a sympathetic understanding of customers' probable wants, a thorough knowledge of what competitors are offering, a fair comprehension of the conditions under which

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the store so much better that goodwill is built that will probably attract the customer to the store every time she goes shopping. Also, it makes it possible for the manufacturer to increase production by reason of our larger purchases, and thus to pull down his prices and still make a good profit on his sales to us.

[2] This question of reducing the number of BB's must be handled with some care, because if we maintain a BB in one full line it may have no effect at all on the other classes of goods in that full line. The buyer should have in mind that a BB gives a standard by which to shop and to measure all the other goods in that line; that, also, it is better advertising to get a BB into a customer's possession than it is to spend increased sums in bargain advertising; that getting such a BB into the home where it is shown to friends and other members of the family is really the most effective form of advertising. Thus we see that the BB opens up advantages that make up for the occasional necessity of having to sell it too close. We can help our manufacturer make such savings in waste that we can undersell our competitors without too small a profit.

merchandise is manufactured most favorably, and a touch of imagination and foresight.

This sounds formidable. It is not exactly easy. Yet the chief requisite is the determination to do it and to keep everlastingly doing it. Cases are instructive. Let me describe one of my own experiences.

When, a good many years ago, we opened our first garment store in Boston, most merchants told us that women's cotton underwear was difficult to earn a profit on. And so it was.

Practically all of the cotton underwear carried in stores was staple. Few manufacturers produced distinctive underwear, for the bulk of such lingerie was made at home. Brisk competition on staples that are alike for all stores leads inevitably to plain old-fashioned price competition.

Finding a BB was, therefore, almost impossible under these conditions. Rather than accept these conditions indefinitely, we preferred to help our customers and ourselves by supplying BB's in distinctive merchandise—artistic lingerie at prices lower than it would have cost to make it at home.

French underwear was distinctive, using more laces and hand embroidery than American. Using French samples, we began striving for similar effects with our staple garments. We developed for our highest-priced full line articles trimmed with real lace, a distinct departure. Working in this way we created more than one BB, around which we built our full lines.

Nightdresses, for instance, usually sold at $1, $1.10, $1.17, $1.25, $1.35, $1.50, and so on. We established a full-line price at 98 cents and then began searching the market for goods that could be secured at $8.50, $9.00, and $9.50 a dozen and sold at 98 cents. We could find a few lines at $9.00 or $9.50 but many more were priced at $10.50, $11.00 or $12.00 a dozen.

We found that we could sell great quantities of nightgowns at 98 cents. The large quantities we could use were a great help in buying but not a sufficient help. Finally, we found that by planning far ahead and placing our orders to be filled

in the dull seasons, we could order from small manufacturers in quantities to take an important part of their output and relieve them of traveling and other selling expenses. Thus we were able to get even $11 and $12 a dozen qualities at such a price that they could be sold profitably for 98 cents apiece. We began to extend the same idea to the highest-priced full line, where we found an opportunity of the same sort among garments with laces and embroideries.

The final outcome was mass selling at the three full-line prices. The total volume of sales became so much larger that the overhead of this department was reduced proportionately. It helped to lay the foundation for our store's growth.

Of course, the BB's, which were the greatest attractions of these full lines, would not suit all of our customers. Many wanted more staple goods, some wanted oddities, and others the many different varieties that go to make up a complete stock. We found that we increased the sale of these other kinds of goods very greatly, also, as part of the full lines in which we had BB's and by this increased the sales of the department.

It requires a sympathetic study of customers' wants, a thorough knowledge of competitors' offerings, and a fair comprehension of manufacturing conditions to develop with a manufacturer a BB that will withstand competition for a worthwhile time. True, a competitor may meet the price of an article like this; it takes only a blue pencil to meet prices on identical merchandise. A well-developed BB, therefore, must embody some element of additional value that has been built into the article by unusual cooperation with the manufacturer so that competitors meeting the price will not immediately destroy its value.

If a competitor meets a BB simply by reducing the price, he must take a loss which he must then make good by increasing the price of other goods. Thereby he causes himself trouble in the long run and weakens his competitive position. When, however, he meets a BB by providing an equal or better item at an equal or better price, using our

basic method of getting a BB by foresight, planning, and helping the producer eliminate wastes—then, it is proof that the time has come for us to use our ingenuity and planning to get a new and better BB. A BB is not beaten when it is undersold only spasmodically. It must be undersold steadily to be beaten.

It takes time for our competitor to even up our lead on a BB. And while he is getting ready to meet us, we are getting ready to beat him again. In any event we have to keep up with competition, even if we are not using the Model Stock Plan. The usual way to keep up is to do it spasmodically without sufficient forethought. *The BB supplies a definite method of meeting and beating competition. And instead of meaning a loss, as special bargains or leaders often mean, the BB should result in profit of itself.*

To be sure, a BB is maintained only by shopping thoroughly to see what others are offering. This shopping brings out the advantage of the BB as a yardstick of the value of all the items in the line. If we carry a great many items in every class of goods, it is futile to try to compare our stocks with the stocks of competitors, item by item. It simply cannot be done. It is, however, reasonable and not too expensive to shop thoroughly one article in every full line, and that should be the BB.

Then, after we have shopped it and have made sure that our BB is really what its name implies—the best buy in our city—we have a dependable measure against which to line up all our merchandise in that full line. We can compare our other purchases, as customers will later do, to see whether they will sell against the extraordinary intrinsic value of the BB. *Thus in effect we compare our entire line with that of our competitors, although we actually shop but one article thoroughly.*

Shop the BB's and we shop our stock. This is the principle behind this method. And it is really as a measure or gage of value for the whole full line that the BB is most profitable. *Indeed, a large share of the advantage of the Model Stock Plan is in laying out and comparing each item of each full line with the BB for that line.* Many buyers think they can do it well

enough from memory. But memory is treacherous. The best and most profitable way is to refresh our memory of the stock constantly by actually handling the goods.

The results of actually laying out, seeing, and handling the goods are sometimes startling.[1] No buyer who fails to do it, who thinks he lacks space or time or the need to do it properly, can make the best of the Model Stock Plan or the greatest success of which he is capable. It has constantly helped the Filene store in Boston to correct stocks and successfully to put in lines on which at the start there was no business. It means a little more work; but nothing short of it will produce a Model Stock and the larger total profits possible from such a stock. It is surprising how many errors and mark-downs this method forestalls.

The buyer has perhaps bought a line very carefully—the best-selling full line, let us say. Then he lays out the cheapest full line and the highest-priced full line beside it. Very often, as I know from experience, he finds something in the cheapest full line that for some reason is as attractive as anything in the best-selling full line; or he finds something in the best-selling full line that would sell against something else in the highest-priced full line even at the same price.

When making the comparison, it is best to start with the cheapest full line.[2] Lay out the BB first. We shall assume

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[1] This has its basis in science. Individuals may be classified as having auditory, visual, tactual memories—which means that some of us remember best what we learn by hearing, others by seeing, others by feeling, and so on. Our thinking is largely based on our remembering. We are working according to the principles of psychology, therefore, when we lay out the goods for comparison.

[2] The proper procedures in comparison and in buying are exactly opposite. In making a comparison the merchant wants to get firmly in mind his cheapest lines so that he can then make sure that his higher-priced lines compare favorably with them in value and in appeal to the customer. In other words, in making a comparison he is trying to look at his goods with the eyes of a seller. But when he is looking over the manufacturers' lines, he is looking at the goods with the eyes of a retail customer. This is why, in buying, he finds it most profitable first to look over the highest-priced goods in the market and place no orders in any price lines until he knows all that he can possibly know about styles and standards at the highest-priced levels. The reason for this is that the average customer tries to buy what she has seen, whether it is porcelain, furniture, dresses, or whatnot, in the houses and other possession of the richer "society" type of people whom she wishes to emu-

that we have made no mistake in that. Of course, if we have, the whole line will be weak. This shows the tremendous importance of the BB. I have said to Filene store buyers: "If you have only a pint of energy to put into your buying, put it all into getting the BB right; then if necessary, draft enough energy to make the rest of the line live up to it."

After we have compared the merchandise in our cheapest full line with the BB, detecting possible errors, we go on to the best-selling full line and then to the highest-priced full line. If we meet squarely the issues forced upon us and have scientifically analyzed the likely demand as to sizes, colors, and styles, we are bound to get the entire stock as nearly right as is practically possible—in any event, more nearly right than we could without this type of planning. Of course, it is most important, also, to compare the BB's of the three full lines with one another.

Using BB's properly in the manner described will make us apply more ideas to our merchandising than we have ever done before or perhaps thought possible. We shall, moreover, find that we are more and more successful, perhaps astonishingly successful. For the competent use of BB's, both as trade attractions and as standards of value comparison, is one of the greatest money-making constituents of the Model Stock Plan.

Even though competitors meet a BB's price, they cannot take from us the profits we have had while it has served as a value measure and a builder-up for the balance of the line. This is only one outstanding value in our stock which has been equalled. Meanwhile, countless other less startling values through the entire stock are gradually building up a reputation for the Model Stock store which competitors can never take from us so long as we keep alert in operating our whole plan.

To provide a standard of value by which to compare and correct the other values in a full line, we must have a BB in

late. When we realize this motive for buying, it is obvious that we must first know what the producer who is catering to that top level is showing. This is vital.

each class of goods, each full line in which there are enough pieces of merchandise similar to the BB to make comparison worthwhile. Obviously, then, we must have BB's in all full lines. A few BB's scattered indiscriminately here and there will not do. There must be enough to perform properly the function for which they are created.

It is probable that the number will not be too large a proportion of all lines. There is no danger that we shall do all our business on our BB's. It is hardly possible to imagine a BB in any diversified line that will sell to every customer, no matter how extraordinary a value it may be. If the department buyer builds up his full line according to the method we have laid down here, he need not be afraid that his BB will sell to the exclusion of the other items in the line.

We shall find that one good way to utilize the BB's will be to appoint several salespeople in each department to sell nothing else but the BB's. Then we shall take the rest of the department, with perhaps five times as many salespeople, and help them to sell the rest of the line against the BB's.

A final question that arises about BB's is the extent to which their complete use will affect profits—adversely, the inquirer usually puts it. The sale of great quantities of the BB is the best advertisement our store can have. I am a great believer in newspaper and magazine advertising.[1] It is by such advertising properly done that the foundation is laid for mass selling, which is the most profitable selling. But the final effectiveness of the advertising depends on the value and attractiveness of the goods. Newspaper advertising is not a complete transaction. It is only the beginning, and the transaction is not completed until we get as many as possible of our unusual values and unusually attractive goods into as many homes as possible.

The BB's in no way tend to reduce legitimate profits. Every growing store offers "bargains." These are generally

[1] In a good many speeches and magazine articles I have emphasized the publicity commandments which I have called Rules for Success in Advertising. They are discussed fully, along with the whole question of publicity—including advertising, window display, interior display, and so on, under the Model Stock Plan—in Chap. XII, p. 164.

obtained by reducing the prices of goods on hand, buying the "mistakes" of producers or middlemen, or inducing them to lower their prices on special lots as a special favor. These are not the very best methods nor in the long run the ones that will serve the public best or produce the greatest proper total profits for producers or merchants. On the other hand, the BB is an organized scientific method of providing bargains. It is clear that with this foresight and compulsory planning ahead, the Model Stock Plan will cause us to obtain and have in stock at all times better values—bargains—for our customers. The BB will inevitably give our stock more attractive special bargains than our rule-of-thumb competitors can offer, and this also has enormous advertising value. Of course the BB is best obtained by cooperation with the producers to eliminate waste and other unnecessary drains on their legitimate profits. Many of these wastes are due to present retail methods.

So significant a part does the BB play in successful merchandising under the Model Stock Plan that it must be thoroughly understood.

This idea is not wholly new. Nearly every department buyer likes to use leaders and does use them. Often a leader is nothing more than its name implies, however, a bait to lure the customer to an inspection of the balance of the line. The other merchandise is frequently bought by opinion rather than on the facts.

The BB is much more than a leader in really good merchandising. As an integral part of the Model Stock Plan it is studiously maintained all the time and in full assortment, until competition forces the necessity of providing a new one.

Experience shows that if a BB is a real BB and draws, it will inevitably lead to two more-profit results:

1. It will carry with it a lot of profitable merchandise that otherwise would not sell so largely, simply because customers would not be there in such great numbers to see it; this will best be accomplished if, instead of advertising the BB alone, the entire full line is advertised, with particular mention of the BB included in that line.

2. Soon the BB itself will become profitable—the manufacturer's price on it will generally come down within a period short enough to make it profitable, if orders can be placed in large quantities at about the time the manufacturer's rush business is over. One other point is to be borne in mind, that increased sales under proper management and control largely cut down the percentage of indirect expense, which is often one-third or one-half of the total expense.

It is unwise to depend on the plan of using a smaller rate of mark-up at the beginning of the season, however, until we have employed every method to get a BB that pays a fair profit at the start. This should be possible, eight times out of ten, provided the Model Stock Plan and BB's are integral parts of the business.

In many or most stocks the selection of a BB, shopping to make sure it is right, and then correcting the rest of the line by comparison with it, is a business-like, reasonable, and scientific method of making sure that the selling possibilities of our lines are better than those of our competitors. I believe, also, that any stock will be better if the first purchase in it is a BB.

If that is impossible or impracticable—as at times it may be—then no large purchases or reorders should be made without determining the salability of that merchandise in relation to the BB standard and after having satisfied our minds as to the coming style.[1]

Let us remind ourselves once more that we shall be obliged to meet all the difficulties of competition anyhow, whether we have the Model Stock Plan or not. But we shall meet them much more effectively with it. With the Model Stock Plan established throughout our business we shall have such good values in all of our departments and throughout our lines that we shall establish a reputation for extra values and, therefore, a drawing power that cannot be established equally well by any competitor who only spasmodically meets our

[1] For a further discussion of the importance of style under the Mode Stock Plan see p. 111.

prices and whose whole stock is not a real bargain stock such as the Model Stock Plan compels. And remember: the most effective advertising of the future will be that which tells the public—and makes it believe, because it is true—that "*every day is bargain day all through our store.*"[1]

[1] See p. 170, Chap. XII.

CHAPTER IV

HOW TO PLAN AND CONTROL A MODEL STOCK

Modifying stocks constantly to meet customers' demands. Planning ahead to avoid overstocks. Nine aids to good buying. Mass buying brings mass selling. The three parts of planning. Nine forecast figures. Building the stock to Model Stock requirements. The Model Stock Plan forces mass distribution. Making accurate written plans. No ready-made forms. The most profitable stock on hand at any time. A record of profits from each producer. The open-to-buy analysis. Call slips. Buying *for* the public. Competitive troubles threaten the business where knowledge of distribution is not growing.

WHAT constitutes the most profitable stock on hand or Model Stock at any given point in time? Upon this question more than any other hinges the success of the retailer.

To maintain a Model Stock the executive must operate according to the general principles already explained in this book. When he understands these simple principles, he comes to the place where he can begin to profit by putting them to work. As a direct sequence of the principles, he makes his plans and is thereby greatly helped to exercise an effective control.

See how simple it is to use the Model Stock Plan effectively:

1. Decide on the three full-line prices for each class of merchandise.

2. Buy a BB for each full line.

3. Complete each full line with values that will sell in competition with the BB.

4. *If any goods do not sell fast enough, then mark them down to the next lower full-line price and advertise them. They will not only sell but also they will sell with themselves almost always enough profitable goods from the full line at the same price so that the mark-down loss will be wiped out by the profits of the increased sales.*

But we can make the Model Stock Plan still more effective and, therefore, more profitable if we use the records that

help to modify and correct stocks constantly from actual experience according to customers' actual demands. Thus we give our operating method a total power that makes it incomparably more profitable than rule of thumb or the trial-and-error plan used in the past and for the most part in the present.

So we want a general understanding of the physical aids, such as records and their uses, that help in running the Model Stock Plan when it is in actual operation. Let me caution against laying too great emphasis on statistics; as we have already said, the method of merchandising described in these pages is a method of planning ahead and adapting our buying to the new methods of production. The volume we are going to be able to sell, and the profit we are going to get as a result of selling it, depend on the skill we employ in planning ahead—in planning to have on our shelves the right goods, at the right time, at the right prices, and in the right quantities.

The Model Stock Plan reflects our best judgment as to what we expect to do—first, in rather general form for a considerable period, and, then, in more and more detail as we approach the time of actual selling.

We place orders for merchandise according to our plan. But we buy wisely only if we reserve a sufficient leeway of purchasing power to enable us to meet conditions which may arise unexpectedly and which often cannot be anticipated. As every experienced merchant knows, it is a common merchandising error to tie up too much money in stocks considerably ahead of the selling period, so that when demand develops for reorders or in unexpected directions there is no reserve purchasing power to meet it—or when selling, for some reason, unexpectedly slows up, there is little chance to avert losses on the stocks already bought.

A delayed season does not necessarily cut down on the total sales or total profits for the man who has foreseen the possibility of it and has held his stock in such condition that he is not overstocked. Under the Model Stock Plan it will be possible for us to do this much more effectively; no successful

merchant wants to find himself overstocked on account of a delayed season so that he has to mark down his goods.

The ideal way is to make plans so carefully that we can buy to the best advantage, yet keep so sensitive to trends in demand and so closely in touch with resources that we can take advantage of a profitable sales opportunity as soon as it discloses itself.

As we know, the main aids a buyer has to draw on in planning are general facts that he is interested in as they pertain to his activities, such as:

1. Statistics showing what was sold of each class of merchandise in previous seasons—this is the history that enters into the making of the plan.
2. Statistics of what is currently selling—the facts by classes and amounts of merchandise gathered day by day.
3. Records showing the kinds of merchandise that customers are calling for and that cannot be supplied from stock.
4. Information as to what competitors are selling that we do not have in stock.
5. Early data regarding merchandise offered or to be offered by manufacturers and wholesalers.
6. What is selling in other cities and abroad.
7. Information as to general style trends.
8. Imagination and creativeness in style goods and improved methods and resources for staples.
9. Information as to the probable purchasing power of the community as compared with commodity prices.

The relative importance of these facts may vary with different lines of business, so that they cannot be listed in any definite order of importance. They are all essential, integral parts of proper planning. The Model Stock Plan makes all these requirements easier.

We must keep constantly in mind that even if a stock is made up entirely of desirable items, this stock can remain a Model Stock as the days and weeks go on—a stock that will bring the greatest total profit—only if all conditions are maintained so that it will turn a sufficient number of times. This means that articles less recently bought must be cleared

out so rapidly that they make way for fresh, new merchandise by the time it is in demand. *Under the Model Stock Plan this can be done with much less loss and often with net profits.*

The management has an important share in making the Model Stock yield the greatest total profit. Under the Model Stock Plan, for the first time under any method of merchandising, we have at hand a real measure of how large a stock investment should be and how large the publicity appropriation should be. By the usual practices, these figures are shrewd rule-of-thumb guesses based on successful retail experience. By the Model Stock Plan we are definitely shown the amounts we must employ.

The Model Stock Plan will not call for an investment larger than the smallest sum that will give a stock complete enough to bring greater total profits than can be obtained either from a larger stock or from a smaller stock. If, as may or may not happen in any single instance, the figures according to the Model Stock Plan accurately set call upon the management to appropriate larger sums, the *management will be glad of the opportunity. For it knows definitely that these will force a much larger business and a much greater total profit.*

A manufacturer producing goods at bulk-demand price levels can meet and beat competition only if his volume of business is large enough so that the total cost plus overhead per unit is as small as or smaller than that of his competitors. What is true of mass production is equally true of mass distribution. In the distribution of the articles made by mass production, the retail business eventually goes to those stores which buy in large enough quantities so that their manufacturers can produce large enough lots to insure low overhead charges per unit.

In planning ahead we shall find it most profitable to think of our planning as divided into three parts. And while we realize, of course, that the further ahead we can plan accurately on facts or on reasonable thinking, the better off we are, still we must avoid one danger. In any such planning there is always a possibility that the day by day needs may not be adequately visualized.

The three parts into which planning naturally divides are:

1. Planning ahead for as long as the business will continue. This means carefully planning indefinitely ahead to increase goodwill, to conserve the reputation of the store for honest and fair treatment, to avoid anything that threatens the general fundamental basis of the goodwill value of the business.

2. Planning definitely as far ahead as is practical, necessary, and possible for carrying out the Model Stock Plan in the best way. In most businesses this means planning ahead for a year.

3. Making written plans ahead for the subdivisions of the year; by half years; by seasons; then by months; by current month; by weeks; and, finally, by the day.

We must definitely plan our full-line stocks and the rate of turnover for each necessary to keep a stock right and to make the greatest total profit. This rate of turnover varies. It is unnecessary to explain to experienced merchants the details of this statement. We all know that staples may safely be permitted to turn at a slower rate than novelties—though not all of us fully recognize the more-profit possibilities of turning staples faster than is customary.

It would be a waste of time to amplify the statement that novelties must turn very rapidly to avoid mark-downs and to maintain novelty stocks that are always up to the minute.

Just as obviously, style goods must turn rapidly, that we may minimize mark-down losses and keep style stocks fresh and attractive. Outsizes, the fourth general classification of a full line, require special consideration as to size and character of stocks and rate of turnover required. In fact, the rate of turnover necessary to yield the greatest total profits on each of the four classes requires careful attention. The rate attained on each is of direct influence on merchandising the stock as a whole so that it will always fulfil the specifications of a Model Stock.

But this is not the place for microscopic attention to these details. It is enough to point out that it will be helpful if

in each department we determine in advance the percentage of our total stock that should be carried in staples, novelties, extra-large and extra-small sizes, related lines, and so on.

Now we come to the mechanics of making our plan. How long a time should be covered in the plan must vary with the type of merchandise. If we were selling old-fashioned base-burner stoves, our principal selling period would be merely a couple of months in late autumn, and we should plan to have our stock practically cleared out by, say, the middle of December. On the other hand, we may expect to sell men's white broadcloth shirts the year round, with a peak of volume beginning in the late spring.

Since, however, the principle is the same in either event and an attempt to differentiate may be confusing, let us assume throughout the following explanation that we make our general plans twice yearly, to cover the usual department store periods of six months each, August through January, and February through July. The usual large store's merchandising plans cover, in general, the following forecast figures:

1. Stock, first of period.
2. Purchases for period.
3. Mark-downs.
4. Stock, end of period.
5. Sales for period.
6. Gross profit.
7. Expenses.
8. Merchandise profit.
9. Earned discounts.

In the usual practice of the past—*not* in the Model Stock Plan—the six months' stock and sales plan started with an allotment of capital to each department. This was clearly not the best way. The most profitable way is to build up the stock of the department to the requirements of the Model Stock Plan, which is the way to the greatest total profits. If, then, this stock is too large for the sales that our department can be reasonably sure of, we study still more carefully the amount of stock. Once we are sure of our

ground here, it is necessary for us—whether we are the owners of a small store or the management of a large store—to back up this basic principle by devising methods to assure a sales volume that will give the maximum total profit. This means methods that will keep this stock selling rapidly enough to avoid losses from mark-downs, obsolescence, and the other ills that slow-moving stocks are heir to.

Some objection may be raised to this at the early stages of the study of this plan. Such an objection from the management, however, always disappears with the realization of how much the total profits can be increased. The Model Stock Plan

1. Adjusts the stock to the maximum sales.
2. Adjusts buying to large enough quantities to bring the lowest prices from those from whom purchases are made.
3. Reduces mark-downs and losses by obsolescence.
4. Gives an operating method and a complete stock with which no competitors who do not use the Model Stock Plan will be able to compete.
5. Forces the business to operate along lines of mass distribution which will eventually make profitable even the departments which at present are non-paying.

Strangely enough, even in many otherwise competently managed stores, the thinking of management and department buyers has not been really unified. Here is a field in which the Model Stock Plan can be of utmost use to the management and to the buyer. It performs no miracle. But both the management and the buyer approach the same problem of building up the stocks by a definite principle definitely agreed upon. Many a non-paying department fails to pay because of one great weakness in management: the arbitrary determination of the sums set aside for publicity and the arbitrary assignment of personnel and selling area.

When we start to build up our stock from the Model Stock Plan, we may temporarily try to operate on too small a scale, because we have not enough capital to go ahead with it, or because we are not sure that the necessary increase of sales can really be attained. *One of the big advantages of the*

Model Stock Plan will be, as we have already seen, *in forcing a larger volume of sales*, and the reason for this larger volume is not inherently that we want it, but rather that it will come naturally when we have all the styles and sizes and, more nearly than ever before, just what the customers want at the prices they are most willing to pay. This idea has the double strength that it appeals directly both to the management and to the department buyer. The more carefully the Model Stock Plan is studied the sooner the management will be convinced that the store can obtain the necessary volume because we have given customers a real reason why ithey should go past other stores to trade with us.

If we are limited in building our stocks and setting advertising appropriations by certain conditions, such as our total capital being too small for the job we ought to do, we may have to modify our plans.[1] But we shall make more money if we supply capital sufficient to meet the full requirements of the Model Stock Plan. To prevent obsolescence, we must not cut down below the requirements of the Model Stock but rather must be content with nothing less than forcing the sales to the volume that will fit our complete stock and that will more surely prevent obsolescence.

Our general method of planning for the indefinite future, and for a year ahead, requires no discussion. When we come to our six-months' written plans, we need to make these well in advance, sometimes months before the period begins. Anticipating the end of the period by months, therefore, they cannot be so precise as though they were made at the last minute and checked by last-minute information.

Because they are made well in advance does not mean, however, that they must or should be carelessly prepared. Experience has shown that they can be uncannily accurate. This requires care, up-to-date knowledge of the present trend in merchandise, and use of the figures of previous seasons modified by knowing any inadequacies or faults in those

[1] The point, of course, is that we get a basis for determining scientifically what is the best amount to spend for advertising; we get a goal set up that will go far toward our attainment of it. For a full explanation of the way that the Model Stock Plan affects publicity see Chap. XII, p. 164.

figures. If the demand for a particular class of goods is much greater this season than last, we should obviously have a much larger investment but plan wisely for forcing such greatly increased sales that the investment is relatively smaller. Then the previous season is only a standard from which to deviate.

Our definite operations planning in detail starts from the six-months' plan. Since the figures are set so far in advance, obviously they must be elastic enough to stand correction by experience from day to day. Competent retailing, however, makes deviations from the plan only in accordance with necessities arising from unforeseen changed conditions that our best endeavors cannot meet in any other way. And when we have a Model Stock summary of each department's plans, we know with reasonable accuracy what stocks we require and what sales we may expect.

We have seen in a preceding chapter[1] that under the Model Stock Plan we should theoretically have an ideal stock that is neither too large nor too small. Perhaps, however, when we summarize our six-months' plan, we find that the total might be larger and still be within our reach. *Since we have done away with all in-between prices, it is probable that our total stock will not be larger than in the past, but smaller. And the Model Stock will be incomparably more complete.*

We may, of course, find the totals larger than we should altogether conservatively invest—because of our location, our financial position, our plans for the future, economic conditions and prospects, or whatnot. The way to remedy the total, if it should be too high, is not in arbitrarily cutting so that we cannot keep a Model Stock in any department. Rather, we should first eliminate such classes of goods as are least important to our business. It is clear that we can sell more goods by having everything that our customers can reasonably expect in most of our lines than by having a seriously incomplete stock in all of our lines. The Model Stock Plan finds out for us and helps us to eliminate those

[1] Page 7.

stocks which exist in almost every store, stocks that do not turn more than twice a year and then do not turn except at a loss.[1]

It is only possible in this book to outline briefly the general facts that records should give the merchant who uses the Model Stock Plan. Obviously, no set of forms can be devised that will fit all classes or sizes of stores. A large department store requires extremely detailed information in order that each department may be planned for and adequately controlled, both as a unit and as part of a coordinated whole. A small, single-line store, such as, say, a store doing an annual volume of $50,000, requires few records, if the proprietor is on the job every day. A large, metropolitan store may require, to yield the greatest total profits, departmental records comparable in their completeness to those used in a department store of comparable volume. Almost every line of business has its distinctive method of keeping records to fit its peculiar needs. Many retail trade associations have developed standard methods of accounting and planning which can readily be adapted to the Model Stock Plan.

The Model Stock Plan, as has repeatedly been pointed out in these pages, is a planning and control method rather than a set of forms and store systems. Any merchant who absorbs the principles underlying the plan can devise or find the forms to supply the operating facts he needs. We shall, therefore, consider here merely the general outlines of the records of the Model Stock Plan in terms of the information they must yield. Because the department store problem is the more complex, we shall illustrate our principles in general terms applicable to department stores. The merchant whose record problem is simpler can easily simplify and eliminate for himself to reduce the statement to terms applicable to his specific merchandising problem.

[1] The Louisville Grocery Survey, made in 1928 to 1929 under joint auspices of the U. S. Department of Commerce and local and national grocery interests, disclosed by inventorying typical independent grocery stores that practically all of them had on hand important quantities of merchandise that had been in stock anywhere from many months up to several years. Some of the brands found had been discontinued by the packers three or four years previously.

We must know how estimated sales and stocks are checking against results. Each department head and division manager must receive the figures for his section so that he can base his day-to-day planning on these figures. These statistics serve as regular reminders of the original plan and, therefore, as guides to how well it is being lived up to both in respect to sales volume and stock totals; they also furnish from current experience a better, more precise basis for planning.

As was pointed out at the beginning of this chapter, our success in retailing hinges upon one question more than any other: *What constitutes the most profitable stock on hand, or Model Stock, at any given point in time?*

The answer to this question cannot be categorical for all businesses of like size and kind. It will, however, be determined on actual facts where the Model Stock Plan is used.

It must always consist, as has been mentioned, entirely of salable merchandise. *We must take care that we do not allow one part of the stock to have a less than profitable rate of turnover just because another part has turned more rapidly than it theoretically required.* Few conditions can so largely undo the results of an apparently successful month as to come out at the end of it with a good profit showing but with a stock poorly adapted to the next month's requirements. It is, therefore, necessary to be sure at all times that every item in stock is moving with adequate rapidity. This information we get from stock records.

We should maintain a stock record sheet for each model or number on hand. Each sheet shows the resource from which the goods were purchased, the date of purchase, the quantity, and the cost. It contains, further, a list of the pieces sold each day and the balance on hand. The retail price is also given, and, in the event of a mark-down, the new price and the quantity affected is shown. Reorders also are recorded.

By going over these records frequently—at least, once a week—the buyer can readily see whether he has any slow-moving stock and, if so, can take adequate steps to deal with the situation. It may be that better display, improved

advertising, or, more probably, a mark-down is the solution. In no instance, however, should he, merely to avoid a mark-down, resort to "smart" salesmanship in persuading customers to purchase something not suited to their individual needs and tastes. While it might temporarily improve his profits, it will gravely endanger the goodwill of the business. This kind of record should carry as its most important part a record of the profits less the loss on mark-downs from every single resource. After all, this is what most interests the merchant. Every record, as is true of the whole Model Stock Plan, is designed to help us to increase our total profits. Our purpose is to help each buyer and merchandise manager to increase the total profit of his department. More and more profits will come as a result of the profit-making methods of the Model Stock Plan.

Nothing else could be more valuable for the buyer than to have in his pocket and to consult constantly a record of the profit he is making from a firm from which he has been buying and from which he is about to buy again. After all, the buyer's future is depending upon the profits he makes from each resource—not upon the beautiful decorations of its showrooms nor upon how skilfully its live models display the samples. And the producer, the manufacturer, should be just as much interested as the buyer; the producer whose goods regularly yield us a good profit does not have to worry about losing our trade. The type of buyer who will hold his position and make a real success will, when he has these facts available, continue to deal through thick and thin with a profitable resource, for on his department's profit showing the buyer's reputation and earnings depend.

This information is so valuable, and yet so infrequently compiled by retailers, that it deserves to be brought very emphatically to the attention of retail merchants.[1] If more attention were given to this question, it would result in

[1] How this record is used in purchasing is described in detail in Chap. XI, p. 151. The profit record of each resource is of material assistance in selecting resources and in dealing profitably with them; the record is perhaps even more valuable in buying than in stock control.

greater encouragement to and cooperation with skilful, able, forward-looking manufacturers and would do much to reduce some of the needless wastes that now constitute a part of the general cost of distribution.

Another record that ties squarely into the Model Stock Plan by helping to maintain complete stocks is a weekly analysis of how much the department is open to buy, classified by kinds of merchandise. It should always be made out before purchases and, usually, every week whether the buyer is going to buy anything or not. It enables him to act quickly when he does not know in advance that he needs to, and to take quick action in the direction of mark-downs or greater publicity on goods that are not moving fast enough.

Has it already been made clear that records of goods sold may not be a sufficiently complete basis for judging customers' wants? We may not have the goods that many customers want, even though we have kept in touch with markets and have faithfully shopped competitive stores. It is always possible that, even though competitors may have these goods, we do not yet know it. Or possibly a new current of demand may be setting in, and no store is yet supplying the goods. Being first under such circumstances means greater total profits.

Naturally, even the best of sales records under the Model Stock Plan will not show any demand for goods of which we have none. For this purpose we have records showing customers' calls for goods that were not on hand. If a customer asks for goods in our field and we cannot supply them, the buyer should be informed. We may not need to carry them. We may not be justified in carrying them. But, in any event, we are all agreed that we should know that customers have inquired for them and why the inquiries were not satisfied. Some kind of call-slip system is a requisite in connection with the Model Stock Plan if it is to fulfil its function completely.

An important point in this connection is my firm belief that about as good a call system as can be devised to fit

into the Model Stock Plan is to have the buyer in touch with customers in the store. An elaborate system is not imperative, certainly not in a small store, if the buyer is present to hear the comments of customers, to see how they like the merchandise, and to note what changes or different styles and varieties they ask for.[1]

The task of a real merchandiser is not selling to the public nearly so much as buying for the public. The emphasis is deservedly on "buying for."

The fundamentals of merchandising are simple, but the great mass of details is likely to obscure fundamentals. Retail merchandising in a store of some size involves a great many elements. Yet it need not be complex, for each part of the task should be handled as a single simple part which has been designed in relation to the whole. When a fairly complex operation is resolved into its component parts, it becomes simple.

The complexity is taken out of the task by charting the details and by having a definite set of principles and methods such as the Model Stock Plan. As we have seen in this chapter, it is comparatively simple to devise records that can be used to help us in following the basic principles that pay greater total profits.

The Model Stock Plan and its records embody methods for making, in advance, a complete outline of a proposed merchandise stock for an approaching season. It is a simple planning, buying, and control method. It approaches the problem of merchandising by practical, logical method and, by substituting facts and experience for opinion, succeeds also in increasing goodwill, getting a rapid rate of turnover, minimizing losses, and increasing total profits.

Adopting the nomenclature of the Model Stock Plan does not mean that the plan is adopted. There has been a fairly

[1] The logical outgrowths of this idea result in a conception of the depart ment buyer's function which is materially different from the commonly accepted usage. Under the fullest application of the Model Stock Plan, the buyer's opportunities to increase his department's profits and, consequently, his own earnings are tremendously increased, as is explained further in Chap. XVI, p. 228.

nation-wide adoption of the names "Model Stock" and "Full Lines." But remember, the full total profits of the plan will come only out of its complete application. This will react not only on reducing stocks and getting greater total profits directly but also greatly affect and improve the publicity, including newspaper advertising, interior display and window display, besides the good effect on the whole store.

Competition is always growing. Our knowledge of merchandising, which may be good enough today, must, therefore, grow and become good enough for tomorrow. For the business where knowledge of distribution is not growing, troubles are even now here—and more coming!—which such a business is not prepared to meet.

CHAPTER V

DE LUXE GOODS FOR DE LUXE CUSTOMERS

The profit in being recognized as style headquarters for the community. The Model Stock Plan's provision for attaining this recognition by profitable de luxe departments. Combining the advantages of a small de luxe specialty shop and a large store. Full-line buyers cannot afford the time for single-piece buying. The ensemble effect. How de luxe customers help guide full-line buying. Can de luxe goods be sold in large organizations? Exemption from store rules and full-line rules. Separate de luxe buyers free from supervision by full-line executives. When full lines and de luxe lines clash. How to get a specialty shop owner to head our de luxe department. The double-name label. De luxe floors. Advertising de luxe departments. The Model Stock Plan gives us store unity.

STORES that make efficient use of the Model Stock Plan can become style headquarters of their communities. People in general like to wear the same styles, have the same household furniture, and buy even the ordinary staple merchandise at the same stores as the wealthier, better known, "society-leader" type of people. Every experienced merchant accepts this truth. But if his business depends for its profits on selling goods to the great mass of population, he recognizes the very real difficulties that stand in the way of his getting the de luxe trade which likes to have articles that are distinctive.

A great obstacle to selling the very top quality items in mass-selling stores is the customer's fear that an article bought here will become too commonly in use. So the wealthiest customers ordinarily buy at the smaller, more exclusive, very expensive shops that are recognized as style headquarters of the community, even in lines where style does not enter importantly. Probably any merchant doing a good-sized general business would be glad to handle all of the city's de luxe trade without direct profit for the sake of the reputation that comes with having this trade.

The Model Stock Plan's three full lines, as we have seen, are carefully set at the price levels which best fit mass-selling needs. Nevertheless, the Model Stock Plan provides a method of winning the de luxe trade and thus gaining for the store the reputation that is priceless for increasing its mass selling even of staple merchandise. Moreover, the Model Stock Plan method will earn a substantial total profit on the de luxe operation itself.

Practically all stores, even if 90 per cent of their goods are sold at the lower price levels, make some effort to gain this recognition for top-quality trade, especially in style goods. Most frequently the effort takes the form of buying and displaying prominently a relatively few single pieces of merchandise at price levels far beyond their customers' pocketbooks, and, usually, in styles more advanced than their customers are ready to buy. They do this to impress the customers with the store's familiarity with top-quality goods in advanced styles. The store buys these pieces in the full expectation of selling them later at heavy markdowns. Such unorganized gestures toward de luxe selling are costly, and the cost must, of course, be made up in the prices of goods at the mass-selling levels.

We know, then, that any store will be benefited by actually selling, and having the reputation of selling, de luxe goods. Under the Model Stock Plan we have such a set-up that we can sell de luxe goods at a direct profit instead of merely going through the motions of selling them at a good-sized loss.

As we know, the department head in charge of the highest-priced full line is definitely limited in his buying range by the price he can afford to pay for an article and still make a net profit on it. So the Model Stock Plan provides ready made a place above the highest-priced full line where the de luxe departments can develop, in charge of separate department heads, without friction or clash of interests. In providing this place, which is clearly and definitely above the highest-priced full line, the Model Stock Plan overcomes the obstacles that hitherto have been in the way of the most

successful selling of de luxe goods in the more popular-priced stores.

Let us look for a moment at the respective advantages of the small de luxe specialty shop and of the large store:

Outstanding Advantages of Small De Luxe Specialty Shop

1. All buying by a "style genius," assuring best styles and an ensemble effect throughout the shop.
2. Style atmosphere, style reputation, style leadership.
3. Advance styles; only one or two pieces of merchandise of each style.
4. Much of the buying to the individual customer's requirements.
5. Individuality of owner and his self-interest in his shop's success.

Outstanding Advantages of Large Store

1. Year-round representation in foreign and domestic markets.
2. Greater buying power with style originators because more interested in showing original creations in advanced styles regardless of direct profit.
3. Lower overhead and, therefore, much lower mark-up profitable on de luxe goods.
4. Competent central organization especially set up to handle routine and finance.

We must, if we are to obtain the best possible results and the greatest total profits from incorporating a de luxe business in our large store, plan to use all of these advantages. We must run de luxe departments more successfully than the specialty shops are run. We shall see that this is possible under the Model Stock Plan. But first let us list the best possible combination of these advantages:

Outstanding Possible Advantages of De Luxe Department in Large Store

1. Advance styles, coupled with much lower prices than the de luxe specialty shop can make profitable.

2. An opportunity to increase largely the volume of sales because the highest-priced full line will constantly draw in customers who have also been buying in de luxe specialty shops, and who will now frequently buy in the de luxe departments.

3. Individuality of the department head maintained and more frequent trips to foreign markets made possible by relief from the inescapable details of small-store routine and financing, which the best type of de luxe buyer is least fitted to handle.

4. All buying by a style genius, assuring best styles and an ensemble effect throughout the department.

5. Greater buying power with style originators, because of the importance of the store of which the department is a part.

6. Year-round representation in foreign markets.

There is a reasonable basis in the de luxe customer's demand for goods exclusive to herself. But even more than by its appeal of exclusiveness, the small specialty shop gains its real success because it is founded on taste and a genius for style. When a new style or a new trend appears—as we have seen in recent years, for instance, in the growth of applied art in all kinds of design—it is picked up first by these alert style geniuses of the small shops. Their customers, the style leaders of the community, buy these brand-new goods. Other people see them in the style leaders' possession; the style spreads down through the income levels below the top.

Contrast the department head in a large store not operated by the Model Stock Plan. He knows that his chief profits are made on the mass-selling lines, and he must necessarily give most of his time to their purchase and sale. Very often he knows a great deal about de luxe goods and de luxe styles. But in handling such goods he is in competition with the specialty shop owner who is concerned only with and whose profits depend only on de luxe goods. And instead of the temperament typical of the successful de luxe shop owners, the best full-line buyer has the cool business judgment that

makes for the greatest total profits in any department that must depend primarily on the sale of quantities of popular styles or staples at popular prices.

There are some other very real advantages on the side of the specialty shop. Let us consider a women's apparel shop of this type. In such a shop, alone of all retail establishments with any pretense to style leadership, the owner personally buys all the goods. He, or she, buys not only the dresses but also the hats, gloves, shoes, hose, handbags, everything. Consequently, the stock in the shop has a uniform standard of taste.

The customer who buys here all the different parts of an ensemble attains a harmony of costume, because all the goods were, in the first place, chosen for the shop by one person. Even if the shop owner has taste that deserves only a 75 per cent rating, at least everything in the store achieves 75 per cent of perfection, and the shop gets and satisfies an adequate number of customers who are better suited by 75 per cent taste than by 100 per cent.

Contrast with this a department store where the dress buyer perhaps merits an 85 per cent rating on taste, the hat buyer 65 per cent, the shoe buyer only 50 per cent. The customer who tries to buy an ensemble here emerges with a first-rate dress, a mediocre hat, and questionable shoes. Since the same variations may be true of buying ability as well as of taste, the difference between specialty shop and large store is further magnified.

Yet any store large enough to make a bid for the de luxe trade has definite reasons for wanting this trade. The most obvious, although ultimately not the most important, is the volume of sales it represents. De luxe customers are the high-income individuals who buy very high-priced merchandise in liberal quantities. Not only do they spend more money per article purchased but also they purchase more articles per capita. Half a dozen such wealthy customers, if we can hold their regular trade, may spend more money with us than do 25 or 50 of our average customers who buy principally at the best-selling full-line prices. And

their purchases of non-style goods will also be important to the store.

As we have shown, the value of these free-spending, early buying customers is far less in their volume of buying and the direct profits we make on these sales than in the influence they exert in gaining us recognition as a high-class store that can be depended on as style headquarters for our community. Even though the value of the de luxe trade sales volume is more obvious, the recognition as style headquarters is more important.

To cite an actual example without names, a motion picture actress, famous for being particularly well dressed, bought, in a middle western shoe and hosiery store, $200 worth of chiffon stockings. Through the next several weeks its hosiery business picked up more than 10 per cent, a gain that the management ascribed to the publicity given to the actress' purchase.

There is still another important advantage that the store can obtain from successful de luxe departments. De luxe customers buy freely just as early as the new goods for a season can be shown. This is obviously very useful to the buyers for the three full lines, for it helps them to determine which styles will be really popular in their store's environment. As we have already seen, people who buy at mass levels generally want articles similar to those of the society leaders and very wealthy people, the style leaders who constitute our de luxe trade.

There are really valid reasons why the de luxe trade can be more efficiently handled—and, therefore, why it *should* be handled—in other classes of retail establishments than the specialty shops. The specialty shops have many serious drawbacks from the standpoint of scientific merchandising. Yet they go ahead making good profits if the taste of their proprietors is good enough.

Because most of the de luxe specialty shop owners are by nature artistic and so proportionately temperamental, it seems to be generally believed that they cannot work in a large organization. There is this basis of fact in the idea:

most large stores have not succeeded very well in their attempts at de luxe shops because they have not studied the basic differences between the best way of selling de luxe goods and the best way of selling goods in bulk.

Yet definite proof exists that such people can be induced to cooperate in an organization. Successes of outstanding character have been attained dealing in de luxe goods on a large scale with a sizable store organization. Even better proof: there exists a number of chains of de luxe specialty shops which are notably profitable.

Strict store rules and merchandising policies strongly enforced are necessary for mass selling. By their very nature some of the people who make the best executives for de luxe departments may not be able to work well under too rigid rules. It therefore becomes apparent that the de luxe departments must be allowed to function with a minimum of the rules required for the other departments of a large store.

There will naturally be objections to having any department of a store or any of the personnel exempt from the rules of the store. This is natural and reasonable. But when once we realize the great publicity and profit-making value of selling the finest goods that are sold in our city, we shall see the desirability of exempting a few of these de luxe department individuals from some rules for the sake of this reputation. We shall also see that the extra expense which comes from varying rules may be saved in a less rigid control on the actual merchandising operations.

To assure the best results from a de luxe department, then, we must guarantee the department head working conditions, both for himself and for his department people, that will permit him to duplicate the whole atmosphere and conditions of a successful de luxe specialty store. If, for instance, he feels that his saleswomen should dress more elaborately than our store's rules permit in the regular departments—very well, though we may find it advisable to insist that even women buyers of the rest of the departments conform to the employee's manual in this respect. Further-

more, we must do nothing within reason that will obstruct the functioning of the de luxe buyer's artistic temperament as it expresses itself in choosing the most exclusive styles for the most discriminating customers. After all, we should not expect that a great artist such as Kreisler would willingly submit to the rules that must be imposed on the violinists of a full orchestra.

The de luxe buyer must be free to buy what he wants, as he wants it, and to price it as he wants to. For one thing, many of his purchases are made with the individual customer in mind, after he has asked about that customer's wants and needs. Our basic rule for selecting goods for a full-line price is to let the customers judge the goods. Such a rule definitely does not apply to a de luxe department, because the average customer's judgment is not what is wanted for a selection of de luxe goods. Moreover, the average de luxe customer defers to the style knowledge and taste of the de luxe buyer where she rarely defers to the taste of the full-line buyer.

The de luxe buyer must distinctly be exempt from all the full-line rules of the Model Stock Plan. For this is the paradox, that while a de luxe department is necessary as part of the Model Stock Plan in a store large enough to make such a department possible, the de luxe department itself, to function most profitably both as a department and as part of the whole, must be entirely free from all the restrictions of the Model Stock Plan as applied to a department at the mass-selling price levels.

Especially the de luxe buyer must be free from any supervision by the department heads of the full-line departments carrying the same types of merchandise at the three full-line prices.

As retailers, you and I must admit to a number of individual weaknesses in our make-ups. My weaknesses are along certain lines; yours are probably along different lines. But neither of us is inclined to admit—nor is any other retailer I have ever known—that anything can be weak about our ability to pick out good styles in good taste, even up through the very highest levels of style and price. We feel sure that

we are good judges, almost flawless judges, when it comes to applying art and science to merchandise.

Almost every buyer feels the same way, even though his whole training and his background fit him best for buying at the bulk levels of demand. Moreover, the requirements for the greatest total profits in his full-line buying job are so exacting that he can make much more money if he does not spend his time and energy in the very difficult, time-consuming task of buying single pieces for the de luxe department. It is inadvisable for an able full-line buyer to scatter his energies over the de luxe field also, no matter how competent he may be with de luxe goods.

Likewise, an outstanding characteristic of a de luxe merchandising operation is that the buying and selling must, in far greater degree, be handled on a more intimate, personal basis than can be possible in even the best of mass selling and mass buying. The de luxe customer wants to meet that special man or woman "who bought the goods" and "who knows all about the goods and the style trends," and in whose opinion and taste the customer feels she can place confidence.

It is utterly impossible for the de luxe buyer to follow the Model Stock Plan preferred policy of often sending some one else to market to place the actual orders. And any full-line buyer who tries to handle his own lines, supervise the selling in the full lines, and then, on top of all this, operate a de luxe department, buy for it, and spend a great proportion of his time in dealing with individual customers will have his hands so full that he cannot possibly handle any of his jobs most profitably.

The Model Stock Plan makes it easy for us to draw a distinct boundary between the three full lines and the de luxe goods above these full lines. And the buyer for the highest-priced full line must be free to obtain to sell at his price level, to the greatest extent that he can, any goods that might normally fall in the de luxe classifications.

It may happen that at times the highest-priced full line might have the same goods as the de luxe department. In

such an instance, the highest-priced full-line buyer is to have the right of way, because when he is able to get these goods it is clear that the time has arrived when they have become too popular—and too popular-priced—to remain the most desirable type of merchandise for the de luxe department.

The highest-priced full-line buyer can buy anything he can get to sell at his price. The only way the de luxe buyer can protect himself is by getting such exclusive goods that even if the highest-priced full-line buyer buys extremely well, he cannot afford to get these goods into his full line.

This rule will be as useful to the de luxe department head as it is to the highest-priced full-line buyer. If it is properly worked out and held to, it will keep the de luxe buyer specializing constantly and more intensively on the goods that are not yet popular and that, therefore, are additionally attractive to the de luxe department's special class of customers.

Actually, the de luxe buyer will not be hampered because we permit and encourage the buyers for the three full lines to look over the de luxe goods for the purpose of seeing how they can get their styles—and even the identical items—into their full lines. This is part of the most profitable functioning of the Model Stock Plan both for the full lines and for the de luxe lines. The highest-priced full-line buyer is not to be stopped by any claim of so-called "justice" to the de luxe buyer. This is all, of course, in accordance with the principle that competition inside the business is the most profitable form that competition can take[1] and that de luxe departments need different goods.

Because of these facts, it follows that the buyer of the highest-priced full line must not have any part in operating the de luxe lines. If he is allowed to do this, we take away from him most of his incentive for working to get as many as possible of the de luxe articles down into his range of per-

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[1] For a detailed explanation of the advantages of internal competition see Chap. XI, p. 161.

missible buying cost. Thus we should materially weaken the highest-priced full line.

The basic rule to be applied to the de luxe departments, therefore, is that every de luxe department will be organized and treated as if it were a separate de luxe shop on a different street. It will be under the sole control of the buyer or head of the department, who should be selected, if possible, because he or she has successfully run a de luxe specialty shop and has a big reputation in our city.

Of course, to obtain a successful shop owner to head our de luxe department, we shall, usually, have to offer him a guaranteed income that will be at least equal to his net average profits during the past two or three years. The ultimate basis of compensation for this head of a de luxe department must be a substantial share of the profits from the department that he heads in our store. If he and we work together as well as we should, his earnings from working in our organization should soon be materially greater than he could have made on his own account.

By this very method of compensation we attain our best control over the de luxe department. For it assures us that profit will always be kept in mind, and, at the same time, it permits the de luxe buyer to have a business that he can operate much as he did his own shop, by self-interest.

It will not be difficult to get a successful owner of an independent shop to come and take such a department in a big store if he is, moreover, assured that he is free from the general rules of the store and will be as free as he has been in his own shop. Actually, we can assure him still greater freedom than he ever had before; we absorb into our own large organization and thus relieve him of all problems of finances, credits and collections, bookkeeping, and other routine details for which he is not temperamentally best fitted. We have an efficient routine built up to take care of these requirements for our whole big store. So we are able to leave this de luxe style expert far more time and energy than he has ever had before for the actual selection and sale of his goods.

Moreover, we can afford to send him on buying trips to Paris and other style centers more frequently than his little shop could afford. We shall almost surely have competent buying representation in the foreign as well as domestic centers of style, which will, again, relieve him of much time-absorbing detail. As added buying leverage, he may count on the much greater eagerness of style creators to cater to his needs because he is part of a large store organization which is a far more important customer than any single specialty shop can be.

Is it not by now clear that our de luxe departments will have every strength of the separate specialty store and few of the weaknesses?

When we bring the small, successful specialty shop bodily into our large store—for this is essentially what we are doing—we shall probably do well if we do not discard the trade-mark advantage of the small shopkeeper's name. We shall, of course, want people to think of our de luxe departments as distinctly of our store, but we can probably profit most by using the style expert's name in conjunction with our own. If our store is the Jones store and our de luxe women's apparel department is headed by Elise de Paris, our de luxe label might possibly have some such form as "Jones Store Elise de Paris French Shop." Of course, our de luxe departments should have distinctive labels to identify goods as from these exclusive sections.

The de luxe lines will give us an otherwise unattainable goodwill in respect to style goods and, consequently, staples also. This goodwill is bound to bring us far larger sales in our three full lines of these goods. For the average customer, even if she can afford to pay only $25 for a street dress, likes to have in her garment the label of the community's style headquarters. No other single method will be so important in increasing our bulk sales of style goods. Even for staples people like to have the truck of the leading store deliver to their homes rather than a cheap store's truck.

Recognition as the finest store in town for styles gets us a great deal of profitable business that has nothing to do with

style. Incidentally, our style leadership will be emphasized by the fact that toward the end of mass selling in the regular full lines of style merchandising,[1] the de luxe departments will of course be bare of that season's goods and showing the styles of the coming season.

We must free our de luxe departments from too intimate a geographical connection with the full lines by removing them from the immediate vicinity of the full-line departments handling the same general types of merchandise. Presumably we should have a separate enclosed department, or we should have an upper floor, or floors, given over to de luxe departments. The de luxe customer does not want to have to pick out her purchases alongside the place where less exclusive merchandise is being shown and sold.

Publicity for the de luxe departments must be materially different from publicity for the three full lines. In the departments catering to mass demand, we emphasize always that all of our values are also good price values. To be sure, we shall not wish to give any impression that our de luxe goods are not good price values. But we shall naturally put the emphasis here on style, exclusiveness, and the other appeals that have been proved the most profitable for specialty shop advertisements. Parenthetically, most specialty shop advertising today is far better than is most large store advertising, because it is more consistent.

It is true, we now appreciate, that the de luxe departments must be handled throughout—in their buying, their selling, their administration—altogether differently from the three full lines of the Model Stock. We have seen that, at the same time, the de luxe departments are an integral part of the Model Stock Plan, supplementing and strengthening the three full lines even while the mass merchandising of the rest of the store reinforces the effectiveness of the de luxe departments.

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[1] The profitable method of scheduling the important dates of the selling season and operating accordingly is explained fully in Chap. IX, p. 121.

What we have shown in this chapter about de luxe departments illustrates again that the Model Stock Plan, with all its parts correlated by the principles of the whole, gives our store unusual unity. Under this plan all of our departments and activities supplement one another yet are in vigorous internal competition that yields the greatest total profits

CHAPTER VI

BASEMENT STORES FOR THRIFTY CUSTOMERS

A basement store will really pay only if its business is large enough to warrant separate buyers. Should do its trade in addition to upstairs volume and at different price levels. Less elaborate service permits lower expense. Cheap prices and good quality by sacrificing completeness of lines in basement store. Distress buys belong in basement, not in full lines. Basement staff free from supervision by upstairs executives. Scientific planning means basement store success; how the Filene basement doubled its men's clothing volume. Advertising, "walk through the basement daily." The automatic bargain basement. Automatic mark-downs contain a really scientific principle of adjusting selling to the most-profit times to buy. No reserve stocks permissible. Some specific instances from the automatic bargain basement. Fast rate of turnover the key.

THE basement store and the de luxe departments have been mentioned together throughout this book. There is a reason for this. They bear similar relationships to the Model Stock Plan in that the basement store takes care of merchandise to be profitably sold for the most part below the cheapest full line, while the de luxe departments take care of customers' requirements above the highest-priced full line.

In order to yield the greatest total profits, both the basement store and the de luxe departments should be staffed by separate organizations. Neither should be under the authority of the merchandise men or buyers for the full lines. But here the similarity ceases.

De luxe departments are an essential part of the Model Stock Plan in department stores and in other stores large enough to make the de luxe department operations profitably possible. Without well-run de luxe departments such a store cannot earn the greatest total profits on the three full lines.

A basement store is not essential, although it is helpful and desirable as an aid to greatest total profits. A store had better get along without a basement store if adequate space is lacking, or if the store has not enough capital to stock it

and still leave enough money to maintain complete stocks at the full-line prices, or if the store caters only to a cheap trade, or if circumstances are otherwise against making a thorough and profitable job of the basement store operation. A good general rule is that it will pay to add a basement store only if it can do a large enough business to warrant a separate buyer or buyers.

In most retail establishments where the question arises of whether or not to operate a basement store, the management has made no adequate study of the principles involved or of the experience of other stores which have respectively succeeded and failed in such undertakings.

Nor can a sound decision be made merely on the strength of knowing the principles of operating a profitable basement store and being thoroughly familiar with the experience of other stores. These facts need to be considered in their relation to the particular store in which the new basement operation is contemplated.

Too frequently a basement store is started on opinions, not on facts—a fundamental mistake. The usual result of such a start is that the basement is unsuccessful, or else successful at the expense of upstairs departments. The basement store, of course, should do its trade in addition to what can be done upstairs; it should not do its business on what is in large part the same stock at the same prices as upstairs. (Few business men think that their basement stores are doing this, although it is a common condition.) Starting a basement under unfavorable conditions not only may make it too difficult for the upstairs departments to carry really complete stocks and keep adequately busy but may also almost foredoom the basement operation to failure from the standpoint of profits.

Rightly started under favorable auspices, however, a Model Stock basement store may yield large additional profits. As has been mentioned in earlier chapters, in a general way the three full lines of a Model Stock cover perhaps 85 per cent of the store's possible total sales volume, leaving 15 per cent to be divided between the de luxe depart-

ments and the basement store. But if the basement and the de luxe departments are handled scientifically, with mental energy and with minds open to learn by experimentation, the sales in each—the one above the full line prices the other principally below the full line prices—will be larger than is commonly thought possible or than experience has up to now shown attainable.

What a basement can do that is operated with the aid of this kind of thinking and planning is indicated by the automatic bargain basement of the Filene store in Boston.[1] This basement is doing over $10,000,000 of business a year. The volume of sales is obtained by a method that in comparison with the standard current practices in buying and selling is far more different, far more revolutionary, than is the Model Stock Plan. A detailed account of the methods and principles of the Filene Automatic Bargain Basement is given in this chapter because some of the planning and reasoning on which it is based could be used to increase the total profits of basement stores which are not operated on the automatic mark-down plan.

Once it has been decided that the opportunity exists for a basement store, we come to a consideration of the merchandising principles specifically applying to basement operations. The first, and most obvious to any experienced retailer, is that the basement store should not try to make the bulk of its sales in the same goods at the same price levels as the upstairs departments. The basement should sell mostly goods at prices cheaper than the prices in upstairs departments.[2] Yet these goods must be of sufficiently high

[1] As has already been pointed out, I have used illustrative material from this store only because I am more familiar with it than with any other business. But the whole Model Stock Plan—it cannot be stated too often or too strongly—is applicable to all types of businesses and all kinds of goods.

[2] There is a profitable way of running a basement store where this statement does not apply. In an automatic bargain basement, such as that of the Filene store in Boston, higher-priced goods can be sold in very successful quantities, with no harm to the upstairs departments. Such a basement, in fact, can greatly increase the reputation of the store for low prices at all price levels, much as the upstairs departments aim to increase the reputation of the store not alone for good price values but also for especially good style values.

quality so that customers will always be satisfied; they must be of sufficiently reliable quality so that they fit into the store's policy guaranty of selling only reliable goods, however low the price. This requirement that the basement do the bulk of its sales volume at prices below the three full-line prices is the reason why a basement store ordinarily should not be installed in a store doing the bulk of its trade in the cheapest goods.

The second rule of basement store operation—this, too, is almost universally accepted by experienced merchants—has two parts: (*a*) the basement should operate on a less elaborate basis of personal service to customers, thus reducing its proportion of expense to sales; (*b*) in consequence, customers have the right to expect in the basement store values even better than those of the upstairs departments. In the Model Stock store, as we know, the values of the three full lines of the upstairs departments have been so built up by comparison with the BB's that they should be uniformly better than the values offered by any competitors who are not using the Model Stock Plan. So the basement values must indeed be exceptional.

Plainly, the Model Stock store cannot obtain these extraordinary values throughout the basement by more aggressive search for good values than is employed in buying for the three full lines, nor can it obtain them by helping manufacturers eliminate wastes still further; for if the full-line buyers are functioning properly, they are already using these methods to the limit of ordinary human ingenuity and ability. Instead, in the basement store it is necessary in many instances to sacrifice for the sake of price and of better values one of the other essentials of a full line; namely, to give up the insistence on completeness of assortment in styles, colors, sizes, materials.

Intentionally permitting basement stocks to omit completeness of assortments leads straight to the one class of purchases that will give customers better values, dollar for dollar, than the upstairs, full-line values: goods that can be bought regardless of the cost of producing them. Every

merchant has at some time legitimately bought some goods of this sort, by recognizing and applying to his advantage the lack of coordination between production and consumption, and producers' or importers' errors of judgment. These are usually goods of reliable quality; for the most part they are available in large quantities. Yet they can be sold only if offered at much less than usual prices.

Of course, manufacturers often have special reasons why they want or are forced to sell at prices much lower than usual, and why they are very glad indeed to be assured of a large cash outlet which is always open to buy.

This is possible because production and distribution, manufacturing and selling, are not in general coordinated. Many manufacturers are individualists and devote insufficient time to the study of larger questions involved in running their businesses to yield the greatest possible total profits. For instance, few manufacturers study total demand. As there are hundreds of manufacturers in most lines, even if they should all produce the right goods, the result would still be that many of them would be wrong, because they would have produced more than their customers, the retailers, could use at any one time. Frequently, a manufacturer who has produced a desirable article fails to find just the buyer who wants it. Or, as often happens, a manufacturer produces the goods he would like to sell instead of what buyers want to buy.

To these conditions arising from weaknesses in production and distribution must be added such extraordinary happenings as unforeseen financial or other economic or political events which may defeat even good planning by the producer. Consequently, there are goods in the market to be bought to yield values as good as, or better than, those in the three full lines.

Usually these goods are sold to the store at less than they cost to produce. There is a good reason why the store should not take advantage of this extremely low purchase cost to put the goods into one of the full lines and get the larger profits that this might permit. If a store tries this, it is

likely to find that the same goods or similar goods will be offered by its competitors at prices cheaper than it is offering them. Such incidents hurt the goodwill and drawing power of the store; and on its goodwill and the drawing power arising from the uniformly better values to be found in the Model Stock three full lines, the Model Stock store depends for its large volume of sales and its greater total profits. It depends upon the customers being gradually educated to come to the Model Stock store notwithstanding competitors' advertising of just such bargains as we have been discussing.

Suppose that a good-sized specialty stock comes to the store as distress merchandise at a price which would permit selling it below the cheapest full-line price—merchandise perhaps equal in quality to the highest-priced full line. Before the buyers of a store fully understand the Model Stock Plan, they might be tempted to slip such a buy into the full line which it most closely resembles; of course it will not be a complete stock. Experience will cure the store people of this inclination, as they recognize how such a procedure must harm the goodwill, the selling power of the Model Stock store.

Job lots, odd lots, all the especially good buys at odd prices or lacking complete assortments go to the basement store. An essential of the Model Stock Plan which is frequently ignored through short-sighted intentness on getting the greatest immediate profit on a purchase of the sort we have been considering is the goodwill. *The Model Stock store has carefully, painstakingly, built its whole goodwill on its uniformly good values in complete assortments.* This goodwill is created and spread by customers who know from experience that they can always find at the proper time in the Model Stock store the size and color and style they want. No store can afford to sacrifice any share of so priceless a reputation for the sake of a small penny wise and pound foolish profit.

Closely related is the problem that sometimes comes up when merchandise is offered at a cost to necessitate pricing it above the highest full line, yet so good a buy that the store cannot afford to pass it up. This, too, should go into the

basement store. The Filene Automatic Bargain Basement has profitably sold even such high-priced merchandise as fur coats at $1,000 and cloth coats at $275.

We have seen on the first page of this chapter that, like the de luxe departments, the basement store must be staffed and organized altogether separately from the full-line executives and buyers. This should be carried out to such a degree that the basement store manager is not responsible to executives especially interested in upstairs departments.

These statements are not opinions. They are, as we shall presently see, indisputable facts. The basement store must have separate buyers, separate merchandise men, separate service organizations, and, if possible, separate advertising men also, if it is to yield the greatest total profits. The basement advertising should be related to the main store advertising only in so far as is advisable to assure that it conforms to the general advertising policies which are necessary for the continuing goodwill of the whole business.

Obviously, there must be no attempt to limit the amount that any of the full lines may sell. Similarly, there must be no curb on the de luxe or basement departments. All of them may, and must, do their utmost for increasing their sales volumes and their total profits. For instance, suppose that the basement store sells more in a given class of goods than the upstairs department. This does not mean that any one should in any way limit the selling power of the basement store by imposing upstairs expenses on it or in any other way. On the contrary, it should be encouraged and helped to sell more if possible.

What such a condition probably means is that something is decidedly wrong in the planning and handling of the upstairs department. When the source of this weakness upstairs is searched out and corrected, the sales volume of the upstairs department—and its total profits showing—should improve. The example of the basement store's large sales volume can be used to stimulate the upstairs department to correct its stock and its selling to bring the necessary improvement.

In every basement store which I have had a chance to study, it has been without exception true that those organized under scientific planning—which forced the men in charge to use facts instead of opinion in their merchandising—made great successes, selling more and more goods.

Basement stores are not intended, of course, primarily for competition with the main store. But when properly organized with their own corps of buyers, they do compete to a greater degree than is often intended or understood by the owners themselves. If such competition is studied and the value of it is realized, then it can be turned into an asset very valuable for the long-pull total net profits of the store. Each part will stimulate the other, and in competition the two parts will do more quickly and definitely and profitably what the outside competitor forces us to do eventually for our store. Time is one of the basic elements of profit in merchandising.[1]

As an illustration of the effect of internal competition, I might quote from the experience of the Filene store in Boston. In its fiscal year 1919 to 1920 the bargain basement men's clothing department did a business of about a quarter of a million dollars. During that year a building two doors away came into the store's ownership before it could be utilized for the purpose for which it had been acquired. So it was used temporarily as a bargain annex run on the basement plan, with a men's clothing department. Within a short time the men's clothing department in the basement more than doubled its sales volume and did a business of over a half-million dollars for the year, while the similar department in the annex (handling the same general type of merchandise) also did a business of a half-million dollars.

Advertising a basement store must be along lines somewhat different from advertising the three full lines of a Model Stock. Since the basement is concerned primarily with values and prices, and to a far less extent with complete stocks, the emphasis in the advertising will, of course, be

[1] The advantages of internal competition are explained in detail in Chap. XI, p. 161.

shifted accordingly. The same basic rule should, however, be observed: that there should be no continuous over-emphasis of bargains. In fact, the best advertising of a basement store is, as is true of full-line advertising, institutional advertising illustrated by the day's new bargains. I have always believed that the most effective advertising appeal ever developed in the Filene Automatic Bargain Basement was essentially, "walk through the basement daily," and a statement of the automatic methods by which automatically and surely all basement prices are made bargain prices.

So far in this chapter we have been considering basement stores along reasonably conventional lines. The automatic bargain basement is a special, highly different form of basement store which has met with extraordinary success. The automatic basement was first developed at the Filene store in Boston. It has, I believe, attracted more attention, has been the cause of more inquiries and visits of inspection, and the subject of more articles in business publications than any other single activity entered into by a single department store. To meet these inquiries, in fact, at the height of the general interest, we were forced in self-defense to make up a booklet describing the plan. This booklet we kept on hand, in English and German, to send out to inquirers. Sending the booklet was cheaper and easier for us, and probably more satisfactory to the inquirer, than handling these inquiries by individual letters.

While the automatic bargain basement has had a great deal of publicity, it is so important to the subject under discussion that it requires at least a brief explanation here. Moreover, during the years of experience with it—the plan was first used on Jan. 4, 1909—there have come facts which earlier were not available.

In the first place, a plan was developed. The method of operation is simple enough. Every piece of merchandise offered has distinctly marked on it the date on which it is put on sale. It has to be sold within 30 selling days. Otherwise it is given away. It is marked at a bargain price to

start with. But if it does not sell at that price it is marked down at definite fixed intervals until finally it does sell, or until the successive mark-downs prove that the store cannot sell it. Then it is given away.

This is how the automatic mark-down plan operates:

First 12 selling days	full price
After 12 selling days	25 per cent mark-down
After 18 selling days	50 per cent mark-down
After 24 selling days	75 per cent mark-down
After 30 selling days	given away

Let us illustrate by a hypothetical case. A buyer in the automatic bargain basement puts 500 articles on sale at $3 apiece. The tag bears, besides the size and lot numbers, the date and price, thus: June 12, $3. After 12 selling days there are, say, 100 of the items left. On that date he runs a blue pencil through the $3 and marks the new price underneath, $2.25. If there are 20 pieces remaining at the end of 18 selling days, he marks them $1.50; and the balance 75 cents after 24 selling days, finally giving away any that he cannot dispose of at this last price.

In 1909 this was a revolutionary step in retail merchandising. The failure of the plan was freely predicted. It has not failed; nor has the plan been modified in principle.

The automatic bargain basement affords a means to deal more than ordinarily effectively and profitably with odd lots and job lots. Its basic principle adapts it particularly to take care of the lots that buyers will be tempted to put into the full lines. If, however, this temptation is resisted, and the automatic bargain basement plan adopted in addition to the Model Stock Plan,[1] then the store has a double force building up the goodwill of the business. Using this basement store plan, a store will strengthen its full lines' reputation for having complete stocks and offering everything which will satisfy any reasonable customer. Also

[1] It must be definitely understood that the automatic bargain basement plan is not a part of the Model Stock Plan. Rather, it is a specialized plan developed to grasp an opportunity that exists in basement store merchandising. It comes out of precisely the same kind of reasoning as that which evolved the Model Stock Plan. And because both plans are fundamentally sound and essentially similar in character, they make an effective team when harnessed together for a merchandising task to which both are adapted.

it provides a place to sell profitably those stocks that ought not to be sold upstairs—extraordinary odd lots which can be bought at extraordinarily low prices and which, under the present methods, will constantly be a temptation to the buyer to buy for the full lines.

It is most profitable to a store to be open to buy at times when there is a scarcity of buyers in the producing markets, which also is a strong reason why it pays to take basement automatic mark-down early. For instance, some years ago a big blizzard made access to the stores, especially for people from out of town, so difficult as to reduce greatly the number of customers and sales. This meant also a large increase in mark-downs and losses in our basement store. But the basement store more than made good these losses by being open to buy when there was a scarcity of other stores buying in the market.

The storm reduced sales to consumers. This in turn reduced buying from wholesalers and manufacturers. They were faced with the possibility that they might not sell out their stocks before the season was over, hence they made important reductions.

These conditions which tended to break prices in the market could have been taken advantage of by the Filene upstairs store and by other stores, just as well as by the automatic bargain basement. The difference was that the basement store was forced to take the mark-downs, while in the main store and in all stores doing a "regular" business there was no such great compulsion and the mark-downs and losses were not taken soon enough. They had to be taken later on, at a time when the pressure of overstocked manufacturers brought into competitors' stores at much lower prices duplicates of the goods that they had not yet sold.

So this simple basement principle has in it a really scientific method of adjusting retail selling to supply and to the time of buying bargains most profitable to the retailer and his customer. Actually, there are times when very few buyers in the country are open to buy merchandise.

The great danger is that buyers are often tempted by immediate profits to depart from the sound basic principles of the automatic plan. One of the commonest happenings in business is to see men do things for immediate profits that interfere with the basic organization and principle that would in the long run make ten times as much profit and directly increase the goodwill of the business still more.

The automatic bargain basement plan is good only if it is carried out scientifically to allow the automatic adjustment of the buying to the most profitable times to buy. This means that there should be no reserve stocks at all, no holding stocks back to avoid proper mark-down losses. Holding stocks back is a natural tendency induced by the desire to make greater immediate profits by putting only a small part of a purchase on sale at one time and thus avoiding the automatic mark-downs that might be necessary. Actually, this does not lead to the greatest total profits because failure to take the losses prevents the automatic adjustment of stocks. And this automatic adjustment of stocks is what leaves the store open to buy at the most advantageous time for buying.

Always there is this danger that some buyer eager for immediate profits will want to hold large reserve stocks simply to permit purchasing large stocks without incurring the possible large mark-downs which under the full functioning of the plan might—and should, for greatest total profits—be incurred. If such procedure is permitted, the buyers will put into forward stock only the amounts that they can be almost sure of selling out inside two weeks; thus they take no mark-downs. And the rest of their merchandise is left in reserve stock.

When abused in this way, the automatic plan loses its greatest value because this practice slows down the basement store's rate of turnover, decreases sales volume, and often ties the store up with such large reserve stocks that the buyers cannot be open to buy even extraordinary lots.

There is great profit-making value to a store in being known as always open to buy any extraordinary value.

This, strange as it may seem, is a reputation not enjoyed by many stores. The store which has the reputation has more of these extraordinary lots offered it before they are offered to anyone else.

Keeping goods in reserve stocks to avoid taking markdowns is abuse not use of the automatic bargain basement plan. Moreover, holding back goods in reserve stocks does not even temporarily increase profits, for then it is inevitable that an attempt is made to supply the drawing power—which should come from the goods—by bigger advertising of special bargains, which is hurtful. This is always a danger, and it must be guarded against. Experience has shown that the temptation is often too great when an immediate profit is in sight. Successful men all have the natural urge to "improve" plans and processes. This is, of course, good—provided the improvement is based on a thorough study of the plans and processes to be improved and not a concession made at the expense of goodwill, long-time profit, and the ultimate success of the plan for the sake of a much smaller immediate profit.

When a merchant establishes an automatic bargain basement and is strong enough to carry out the basic principles unflinchingly, he inevitably sells a large volume of goods. Thus he eventually gets his overhead and other expenses very low as compared with his competitors. In consequence, he will finally be able to do business in the basement store at much less than the rate of expense prevailing among his competitors.

To give concrete instances of the results that may be attained under the automatic bargain basement plan—and to study its workings in some detail—let us look at some facts from the automatic bargain basement of the Filene store in Boston.

In no other place that I know of is a larger volume of business (over $10,000,000) done in the same amount of retail selling area (45,683 square feet). The rate of turnover has been extraordinary. Countless instances are on record: 275 fur coats ($12,500) were sold in about 10 minutes; 470

men's suits in 30 minutes; 60,000 pairs of men's, women's, and children's shoes at $1 in about 2 weeks; 21,384 pairs of women's full-fashioned silk stockings in a day; 5,132 women's hats in a day; and so on through a long list.

The prices had to be extraordinarily low in order to make such records. That is just the point. The plan forces low prices, but they are profitable prices.

Goods for the basement are bought almost exclusively from stores going out of business or from manufacturers, jobbers, and importers who are overstocked or have a surplus. They need the cash, or have overestimated demand, or in some other way have failed to coordinate their manufacturing and selling programs. The Filene Automatic Bargain Basement is known to be always ready to buy these surpluses if they are desirable from the customer's standpoint.

The basement also deals in seconds. However, it is a hard and fast rule that no seconds shall be carried unless the imperfections are of such a nature that they do not affect the wearing qualities and the service which the article will give. All seconds must be clearly so marked, or, if that is not feasible, the word "seconds" must be displayed on a sign placed on the counter so conspicuously that every customer will see it.

The basement deals also in discontinued styles, which have a great demand from those people who place a greater value upon serviceability at low cost than upon style.

When the plan was first announced in 1909, it was inevitable that some people would doubt the announced intention of taking the reductions in exactly the manner described. To overcome this doubt, and to make doubly sure of making the reductions, the store offered a cash prize to anybody who would call attention to an instance in which a reduction had not been marked at the time called for by the schedule.

A good many of these prizes have been paid. Still, in every instance the error was traceable to oversight, not to any basic flaw in the plan nor to any intention to violate it. So far as is known, not a day has passed since the opening

of the basement store (with the exception of the first 12 selling days) when some goods did not fall under the rule of automatic reduction. Clerks must every day go through every piece of merchandise that could possibly be affected.

Needless service was eliminated. No elevator service is provided. Goods may be returned only within 48 hours; the limitation does not apply on defective merchandise. In 1911 free delivery was done away with; customers pay a minimum charge of 10 cents to have merchandise delivered. Charge accounts are also eliminated; basement sales are for cash.

With all these methods for saving on the cost of doing business, a customer in the basement discovers that she is pushed around in a crowd; to a considerable extent she has to wait on herself; there are no special comforts or services; and no favors of any kind. But she gets better merchandise cheaper as a result of these economies. She saves money. That is the reason people come. And they do come in great crowds. As many as 76,000 persons have entered the basement in one day. The basement has sold over 9,000,000 pieces of goods in a single year.

By now it must have been made plain that the Filene basement store is not, like some bargain basements, merely a place for low-grade merchandise or old lots that cannot be disposed of anywhere else in the store. It is a store that sells all grades of merchandise from the highest priced to the lowest priced. The sole requisite is that the goods be salable, reliable as to quality, and a bargain at the price. The basement has sold as many as 101 women's fur coats between $49 and $199 apiece in a single day. That is a good many for a basement store where the selling methods are not stylish, where the customers have to pay cash and something extra if they want delivery service.

By the very nature of the business, it takes whatever lots it can get, provided they are of reliable quality, whether or not they are complete in sizes, colors, and styles. Often this in itself is a sufficient reason for low prices. One woman may be buying a cloth coat for more than $200 at one rack and another may be purchasing one for $5 at the very next

rack. An ordinary store demands the correct assortment of sizes and pays the price. The Filene basement takes what sizes there are and gets bargains. It does not have regular stocks; it has bargain merchandise and just whatever it may happen to have. A customer may get an article today and not be able to duplicate it at the price, or at any price, in the basement tomorrow.

It is the regular experience to have a whole stock of goods disappear off the selling floor, sold, within a few minutes after they are placed on sale. Customers are always waiting outside each basement door before the store opens to get first choice of some new lot. One morning very recently an executive for his own amusement timed a rush on a good-sized stock of fur coats. Within three minutes after the doors were opened, the racks were bare. And within five more minutes a group of porters was removing the racks and bringing in "bargain squares," flat tables, full of an entirely different class of merchandise to make profitable use of the space for the rest of the day. In fact, porters are continuously during store hours expanding one selling area and bringing new goods of a wholly different sort to take the place of some stock that has disappeared as if by magic.

When the basement opened, it was planned that it might serve in part as a clearing house for mark-down lots from the upstairs departments. Such lots do come to the basement at intervals, but they form less than 1 per cent of the total merchandise disposed of there.

Here is an important point to remember about the automatic bargain basement, namely, if the rules are observed, unless the first price made is a real bargain price, the automatic reductions come along in 12 days and cause heavy losses. That works in two ways: first, it benefits customers; second, it benefits the store. It insures correct bargain prices, and it guarantees the right kind of buying.

If the buyers are not wise enough to get what the people want at the low prices they want to pay in the bargain basement, then the goods are quickly and regularly marked down until customers do get them at the prices they want to pay.

Of course, if a buyer gets too large a proportion of merchandise that has to be marked down, he is unprofitable to the store—which supplies an incentive to good buying. The automatic reduction plan makes him continually conscious that he has to sell the merchandise as well as buy it.

A buyer might, to avoid losses, be tempted to mark some of his merchandise higher than he should, but he defeats himself if he tries it. The greatest losses he can have are those that result from the automatic mark-downs. People will not buy anything but bargains in the basement. An article priced too high is not a bargain. It may not become a bargain until 25 or even 50 per cent is taken off the original price. So the buyer who overprices at the start fools nobody but himself. The first price simply must be extraordinary enough to sell the bulk of the merchandise in the first 12 days. Otherwise the lot does not prove profitable. Even if a policy of overpricing is temporarily successful it is harmful in the long run because it hurts the goodwill, the drawing power which is the chief asset of the store.

A fast rate of turnover, speedy selling—that is the big thing. It is a definite outcome of the automatic plan. The basement has sold as many as 30,000 pairs of shoes in 8 hours, which was a whole lot faster than the factory could turn them out.

Small merchants have bought thousands of dollars' worth of merchandise in the basement at the retail prices. The basement can often buy, take a fair profit, and yet sell for less than the jobber's price on small lots.

One of the original problems arose in connection with giving away merchandise unsold after 30 days. It was found that giving goods to customers resulted in some misunderstandings, charges of discrimination, and loss of goodwill. So it was decided to give the merchandise entirely to organized charities. Of course the amounts are small, averaging perhaps $600 to $700 a month; that is, on a monthly business of more than $800,000.

The figures on the percentages of goods that have to take either the first, second, or third mark-down vary so greatly on different lots as to make averages untrustworthy. For

a really good buy, not a single piece should be marked down. A buyer who has made only a fair purchase will have a few pieces to mark down. But if he makes a very doubtful purchase, he will get a 25 per cent mark-down and the chance for profits vanishes or a 50 per cent mark-down, which, of course, means an appreciable loss. Inevitably, such mistakes are made occasionally.

It might be supposed that a great many people would wait for the mark-downs. They do, if the first price is not a bargain price. But if it is a bargain price, there are enough people who do not wait; and they get the bargains.

When the automatic bargain basement was opened, the store faced frankly the possibility that it might not make any money for several months. The first few months it lost thousands of dollars; the public did not as yet thoroughly understand the idea, and the buyers were probably not yet sufficiently expert in buying automatic basement bargains. Subsequently, the basement business yielded a satisfactory rate of profit on a volume running into many millions of dollars a year. This was accomplished only because the store gained people's confidence by doing exactly what was promised.

The automatic bargain basement store is to all intents and purposes an almost entirely separate store. To sum up, the striking features of it are these:

1. Prices are reduced automatically and drastically at stated fixed intervals.
2. Buyers are forced to find and sell only real bargains.
3. By eliminating all unnecessary costs of doing business, the savings that accrue from advantageous buying are kept for customers.
4. The store attains a very rapid rate of turnover, with all the benefits which that brings.
5. Goods are carried in all price ranges, provided that at the price offered they are bargains.
6. There is no guarantee that stocks will be full in all sizes and styles; the goods are not on hand at all unless the buyers can obtain them at prices which will make them bargains for customers.

CHAPTER VII

MAKING MARK-DOWNS PAY A PROFIT

The Model Stock Plan actually enables us to profit by our mark-downs. Customers will buy almost anything at a low enough price. Selling at the first mark-down leads to the least loss. Mark-downs to next lower full-line price draw trade to that full line and increase the total sales and total profits. It pays to take mark-downs early and freely under the Model Stock Plan, thus turning an apparent loss into an actual gain. Mark-downs and the selling calendar. Mark-downs as a check-up on price levels. Never try to limit mark-down percentages. Eight major causes and two major classes of mark-downs. Research to decrease mark-down losses.

THERE is no time when people will not buy goods at some price. There are practically no goods that people will not buy at some price. On these facts are based the whole set of principles and practices that center around the mark-down.

The mark-down, as we know, is one of the most important factors in our struggle to gain the greatest total profits from merchandising. Only those who know the actual figures on losses occasioned by mark-downs, especially mark-downs of style goods, realize how tremendously important it is. In every retail selling price is included a percentage which might accurately be labeled, "reserve for mark-downs." This item alone adds huge sums to retail prices throughout the nation's stores.

The customer passes final judgment on what a store offers. If all the goods in our stock are exactly suited to the public's tastes, income levels, sizes, and buying capacity, then we may conceivably—and altogether theoretically—emerge at the end of the season without having had to take a mark-down on anything. If some parts of our stocks have not been so skilfully selected, or if demand has unexpectedly declined, we shall mark the goods down in the effort to make them attractive to our customers. And we are rarely sure that we mark them down the first time to the price that will

unquestionably sell them. If our first mark-down does not accomplish it, we must mark them down once again. It is worth remembering that selling at the first mark-down leads to the least loss.

Customers will buy almost any goods if the price is fixed low enough, although once, in the Filene Automatic Bargain Basement, after we had sold many thousands of dozens of men's collars at our first very low price, then taken three mark-downs to a price only 25 per cent of the first price, we had to give away the 2,000 dozen surplus of odd sizes to charity organizations. And when we repeated the experience on another tremendous lot a few months later, the charities refused to accept any more odd-size collars and we could not find anybody to give them to! But this experience is the rule-proving exception. If we glut our market, naturally we can't continue to sell indefinitely more of the same goods to the same people.

It is, of course, in choosing goods that a buyer discloses whether he has grasped the fundamental of retailing, which is buying *for* the public. A poor buyer makes his best guesses and lets it go at that. A good buyer, even though he has to guess on his very first purchases, gets the benefit of his customers' judgment before he goes much further with building up his season's stock. And the good buyer, consequently, has to take fewer mark-downs and a smaller total mark-down loss.

In stores operated by the commonly accepted methods, the amount of mark-down taken on most merchandise is determined arbitrarily, in much the same manner as prices are ordinarily set. In setting mark-downs the department head ordinarily decides arbitrarily that an $8 price will move these $10 sweaters, or that his slow-selling $10 rugs will sell rapidly at $8.50.

From our study of the Model Stock Plan we know that this is not the method that will yield us the greatest total profits. We have seen that we must sell any goods of any single class (except de luxe and basement merchandise) at one of the three full-line prices which our customers will

most willingly pay. The same reasoning applies, just as emphatically and just as profitably, to mark-downs.

Under the Model Stock Plan mark-downs are never made to an arbitrary, in-between price. *Mark-downs are always made to the next lower full-line price.* The only exception is in marking down goods from the cheapest full-line price; these should be disposed of in our basement store, which operates at a price level generally below the full-line prices and depends upon unusual buying opportunities for special lots and distress lots rather than on carrying complete stocks and complete assortments.

The essence of mark-downs under our plan of operation is to take them soon enough at regular full-line prices. And right here enters a major advantage that the Model Stock Plan provides. For instead of setting out our mark-downs as a distinct group of items, at a special price, to which the customer is drawn by bargain advertising and from which she turns away if she fails to find in the marked-down lot what she is looking for, we have our marked-down merchandise mingled in with our regular merchandise at the full-line price.

In this full line, the pieces from the next higher full-line price will certainly shine out as extraordinary values. But if the customer's preconceived requirements are not met by some of the marked-down items, she has the whole full line to choose from at the same price. In this complete assortment she is almost certain to find what she is looking for and almost always certain to find it at lower prices than she can find it in competitors' stores where the Model Stock Plan is not followed.

It works out this way: The customer who comes to a store in response to bargain advertising and fails to find in the advertised lot what she is looking for is disappointed and perhaps disgusted. But the customer who comes to the Model Stock store in response to advertising that some exceptional marked-down items are offered in the stock of $25 dresses is almost sure to find at $25 something that she wants, even though it is not one of the mark-downs; for the stock has been built up, as we have already seen, to be a whole

stock of unusual values better than competitors can regularly offer. And this full-line stock includes a full line of sizes, styles, colors, materials, and so on.

To say it another way, under the Model Stock Plan the marked-down bargains draw customers to the full lines rather than teaching them to buy only advertised bargain lots. Thus the mark-down not only moves for us the marked-down articles but also sells out a great deal of the stock at the full-line prices which has not been marked down.

The net result is, usually, under the Model Stock Plan, that instead of losing money on our mark-downs we actually make a net total profit out of our sales at the full-line price to which the marked-down goods have been reduced. The percentage of gross profit is, to be sure, somewhat less by reason of the mark-downs on this part of the day's or week's sales. But in the long run we doubtless realize an actually greater net total profit, because, by the action of the mark-downs in selling along with them goods which have not been marked down, we avoid having to take, within the next week or weeks, other mark-downs from this price to the next lower full-line price. And we increase our total sales.

All merchants and buyers whose experience includes the violent post-war inflation and deflation will see another respect in which our plan decreases losses and increases total profits. With merchandise kept strictly within certain well-defined lines, it is possible to determine quickly where the danger lies when there are indications of serious price changes.

For example, early in 1920 it became apparent that a break in prices, which were then very high, might come. At the Filene store in Boston we were able to meet the situation effectively.[1] We ordered that goods at the highest-priced full line and de luxe goods be carefully watched. We saw that we could insure our safety by selling out everything

[1] As has already been pointed out, so many examples throughout this book are taken from this store simply because it happens to be the business with which I am most intimately acquainted. But the Model Stock Plan is just as easily applicable to any type of business or any line of goods and just as profitable when efficiently used.

above our best-selling full lines, taking the early mark-downs which were likely to be the smallest. It proved highly profitable.

If we had not had a carefully worked out merchandising plan with consistent price lines in all departments, we should not have escaped so easily as we did. We should have had to find out first, in each of the many departments, just where the danger zone began. Even then we should not have been sure there were no grave mistakes.

Under the Model Stock Plan *it pays to take mark-downs early.* Mark-downs from one full-line price to the next lower act to prevent *or at least to reduce the necessity of having to take mark-downs at this next lower full-line price.*

An additional advantage from the Model Stock Plan method of marking down without a net loss is that clearing out goods promptly at a mark-down, when market conditions change, results in leaving the business open to buy at the most favorable time for replacing these goods. This is equally true of selling out all our goods early enough in the selling season to leave us open to buy at the time when we still have a great deal of retail demand and when manufacturers are for the first time actually sure which of their style models are successful.[1] This is also the time when manufacturers are in need of orders and, therefore, gladly make quick deliveries at attractive prices to keep their organizations together and to reduce their per unit overhead expenses.

As a consequence of all these advantages we shall find ourselves feeling at liberty to use mark-downs more freely under the Model Stock Plan than under our former method of merchandising. But, paradoxically, by feeling free to use them more freely and taking the substantial reduction required to reach the next lower full-line price, we shall find that our total mark-downs aggregate less than before. The reason for this decreased loss is, of course, that taking mark-downs early and taking them to full-line prices does away

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[1] This whole subject of the more-profit time to buy is discussed fully in Chap. X, p. 137.

with the necessity for many future mark-downs which by any other plan of merchandising we could not avoid.

We feel free to take mark-downs under the Model Stock Plan because we know that by employing its principles we turn an apparent loss into an actual gain. Whereas, previously, we were reluctant to take a mark-down until we were forced to conclude that it was unavoidable, we now take a mark-down whenever we doubt whether any goods have the value to justify keeping them in their present full line.

This whole question of mark-downs is closely interrelated with the selling calendar. In the explanation of the selling calendar[1] we shall see that we must provide the date for closing out each class of goods, not for the department as a whole nor for the three full lines at one time but for each full line separately—beginning with the highest-priced full line. This not only means that mark-downs in the highest-priced full line should be made earlier but it also means that, finally, a date shall be set on which the entire stock at the highest price shall be marked down to the best-selling full line. As a rule, the best drawing card for the highest-priced full line will be regular de luxe department goods marked down to the highest full-line price. The same thing is true of marking down highest-priced full line goods to the best-selling full line, and so on all the way down.

Since we provide a date when each full line must be marked down and closed out, starting with the de luxe, following with the highest-priced full line, and taking the rest in turn as their seasons pass, it becomes clear that *under this process there will come a time when we shall have* in the store no goods of the past season above the cheapest full line and, eventually, *no goods left over from the previous season except unquestionable staples.*

Each of these mark-downs from one full line to the other is an adequate reason for drawing large crowds and increasing the sales of the department and the store. These sales will come in ordinarily slack times. So there is a big advantage here in keeping busy the sales force that we should carry

[1] Chapter XI, p. 147.

the year around. Since these mark-downs in each instance result in sufficient sales of the next cheaper full line to make the net total result profitable, *these mark-downs turn what has been a slack, no-profit period into a profitable period.*

But we must not leap to the conclusion that our higher-income customers during this time will not find in our store as high-priced goods as they are accustomed to find and as they want. If they are looking for the almost past season's goods, it is apparent that they will find their accustomed qualities at a much cheaper price than they expected. And in the de luxe department and the highest-priced full line they find the early showings of new goods of the next season; these goods will already be arriving in sufficient quantities so that we can advertise them—thus increasing our reputation for style leadership—while our competitors' advertisements are still talking about mark-downs.

Let us briefly return to a subject that was covered some chapters back,[1] how to set properly the three full-line prices. For now, while we are considering mark-downs, we begin to detect a relationship which earlier may not have been apparent.

If the prices on the three full lines are not properly set in the first place, there will be losses, of course, but they will be less than with a plan that fails to show at what prices the customers will buy most. Suppose a buyer purchases a great quantity of merchandise at a price that forces him to mark it much higher than his trade warrants. Violent publicity may enable him to sell part of it at the false price. But the chances are very strongly against his selling all of it that way. The customer is not interested in the price the buyer paid for the merchandise, nor in the price at which the buyer is forced to sell in order to make a profit. What matters to her and, therefore, to the buyer is the price she is willing to pay.

The wrongly bought merchandise will probably have to be marked down not to an arbitrary figure but to the next lower

[1] Chapter II, p. 14.

full-line price. My experience shows me that this is true beyond controversy. *If the bulk of our stock is not marked at a properly set full-line price when it is bought, an important part of it will be so marked before it is sold.* A buyer may not know anything about this full-line price plan, but, unconsciously, he will be forced to mark his goods down in line with it; that is, mark them down to one of the prices at which his trade bulks.

Or take a store in which the Model Stock Plan is being introduced but in which it is not as yet so understood that every step is surely and properly taken. Suppose here a buyer sets a full-line price at $1, whereas the price at which this class of goods is really in demand is 75 cents. It is not necessary to wait until the end of the season to know this. He should find it out rather soon. His mark-downs will show him that his price is wrong. By experimenting with various mark-downs he is almost certain to correct his earlier impression and set the full-line price at 75 cents, where most customers will buy freely.

The Model Stock Plan ties in with the principle of using mark-downs to level the peaks and valleys not only of volume but also of profits. Taking our mark-downs early and liberally enables us to buy additional goods of the most desirable sorts at the best prices. In fact, under the Model Stock Plan hard times do not constitute a valid reason for either smaller sales volume or smaller total profits. *We can sell more goods and make larger total profits in hard times than in good times, if we function properly.* For, as we have already seen, there is no time when people will not buy goods at some price, and no goods they will not buy at some price. In hard times we can give them far better values than we can give in times when business is booming, for we are then able to buy the goods to far better advantage.

It pays to have a definite rule that all goods must be marked down after specified times. But we must never make the common mistake of trying to limit, by an arbitrary rule, the percentage of mark-downs to total sales that a department will be permitted to have. Such a rule can result only

in making the department head take his mark-downs too late because he fears to exceed his percentage limit. And the unavoidable consequence is that his total of mark-down losses is increased.

It always pays to say, just as soon as the fact is evident, "I have made a mistake." This is what the buyer does when he takes a mark-down promptly. And the sooner he takes it the less his loss. It is far better business to take a mark-down than to resort to "smart" selling to get the customers to accept something that they do not really want. In fact, selling customers goods different from what they are trying to buy has, quite aside from its ill effect on goodwill, a direct tendency to increase mark-downs. For many customers will return their purchases, usually too late for the very best selling period and frequently damaged enough to necessitate mark-downs of considerable proportions.

Mark-downs arise from a great many different causes, chiefly mistakes in buying. Some of the most important reasons for mark-downs are:

1. Buying more than can be sold, not because the amount itself is too large, but because there is no adequate coordination with publicity and other selling forces that would sell it.
2. Buying to fit the buyer's taste rather than the customer's.
3. Weaknesses in style, materials, workmanship, which should have been eliminated before the goods were put on sale in quantities.
4. Soiling, damage, and shopwear.
5. Attempts to get too high mark-ups.
6. Prices not in relation to customers' purchasing power or desires.
7. Interference with timely sale caused by management orders not properly conceived or digested.
8. Competition.

We must further recognize that mark-downs may be divided into two general classes:

1. Those which occur at regular intervals, primarily on seasonal goods.

2. Those which occur irregularly, due to unforeseen shifts in styles or markets or general business conditions or else to unusual errors in buying judgment.

So important are mark-downs in their effect on total profits that in a large store it is worthwhile to organize, as part of the research department, a central function to study the causes of mark-downs in this store.[1] By emphasizing to the executives the importance of mark-down losses and showing the causes, such a study points to specific facts and goes a long way toward preventing excessive losses from mark-downs. Nobody in the store likes the necessity for taking mark-downs; all open-minded executives and buyers may, therefore, be depended upon to take steps to reduce these losses when they see how to go about it.

The Model Stock Plan, by providing a definite method of calling attention at the earliest possible moment to the need for mark-downs and providing a definite method of pricing and repricing, permits us to operate our store with the least total mark-downs. Also, early mark-downs of the less desirable goods let us sell them out so that we can replace them this much earlier. This helps the reputation of our store for having good styles and makes our stock as a whole much more desirable.

By turning our mark-downs into a means of drawing trade directly to our full lines and replacing the goods thus sold with goods bought more advantageously, the Model Stock Plan actually enables us to profit by our mark-downs. Thus, once more, we find that this set of principles functions to increase our total profits.

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[1] In the smaller stores the owner usually does this consciously or unconsciously without any specialized staff function.

CHAPTER VIII

DOING MORE BUSINESS ON SMALLER STOCKS

Eight advantages of fast rate of turnover. How new styles originate. The Model Stock Plan eliminates needless items. Keeping open to buy. Making more money in dull times. Do we need smaller stocks for present sales volume or larger stocks and far larger sales volume? Precisely how large a stock should be. Backing up the buyers. How the Model Stock Plan meets the conditions of the Second Industrial Revolution. Mass producers cannot tolerate wasteful distribution; every distributive business must meet new standards. Mass distribution lowers prices and increases markets through eliminating wastes. Eight major advantages of the Model Stock Plan. Combining the strength of the chain store and of the independent store.

ONE of the most troublesome problems in retailing may be stated thus: How can we have stocks so complete that customers can find anything they may reasonably ask for in our line, yet so small that they will sell out rapidly and completely? If we could do this without fail, we should be the best merchandisers, other things being equal. Unfortunately, perfection in this respect is hardly possible, even with the most staple merchandise. In some lines the problem is complicated to a high degree by style and other uncertain elements.

Of course we know, offhand, most of the major advantages of a fast rate of turnover. But for the sake of having them fresh in mind, suppose we list the direct economies:

1. Smaller capital investment in proportion to the amount of business done.

2. Greater total sales through ability to satisfy more customers through fresher and more complete stocks.

3. Fewer mark-downs and a smaller total of mark-downs through less risk of the goods deteriorating or going out of style.

4. Greater mobility to take advantage of sudden market changes (specially important where style is a factor) and changes in general business conditions.

5. Proportionately smaller interest and insurance charges.
6. Fewer employees to each dollar of sales.
7. Lower stock room expense in proportion to sales.
8. Proportionately less handling cost.

As we have seen in the preceding chapters, the Model Stock Plan functions through permitting us to make larger total profits by lowering prices or otherwise increasing what the customer's dollar buys. Turning stocks faster brings us a satisfactory total profit on the year's business, not through a higher percentage of gross profit per item but through giving us a much larger number of smaller and safer profits.

Even if an article does not deteriorate in value as a result of style changes or similar reasons, its value is nevertheless certain to become less to us the longer it stays on our shelves. For instance, it becomes soiled or shopworn or otherwise deteriorates. It costs us expense to give it room and pay interest on the money tied up in it. Furthermore, the greatest losses often come from the fact that slow-moving merchandise keeps us from buying the new, better selling articles. If we are to have fresher, more complete stocks before competition skims off the cream of the profit, we cannot have our store unduly burdened with slow-moving merchandise.

In preparation for this book I made a study of many of the variables which, arousing uncertainty of mind, confuse many business men so much that they balk at accepting new principles. One of the most important of these variables in stores is style.

This investigation showed that about 25 per cent of all new styles are inevitable as a result of social and economic changes. For instance, short skirts and short hair were the result of votes for women and their other greater freedoms. Another 25 per cent of all styles are legitimate changes that are needed as a means of general progress in dress and as a field for experimentation.

The remaining 50 per cent are originated primarily as attempts to avoid competition. These superfluous styles are started both by distributors and producers; both sides

are such big sinners in this respect that it is hard to tell which is the greater. People want style, but they want style and good taste at prices they can afford to pay. Adding needless new styles increases the already excessive wastes.

Instead of trying to create something different when competition has reduced the profit, we should restore that profit by conquering some of the wastes both in its production and distribution.

If, instead of chasing the rainbow profits expected from originating needless new styles, we work together as producers and distributors to eliminate waste from the production and distribution of the particular article under consideration, we shall be able profitably to reduce the price still further, thus increasing the demand and restoring a proper rate of profit.

It is just such a process that makes possible mass production of an article. What is more important to us as merchants, by following a policy of this kind we shall find ourselves engaged in mass distribution. And this must, if adequately done, send us squarely into the middle of the stream of prosperity.

Trying to originate new styles to avoid meeting competition resembles the antics of a waterbug in a river. He knows nothing of the real force of the stream that is carrying him along and determining his future. Instead, he goes around and around in a tiny circle, under the delusion that he is really determining his own best course.

Now, then, how does all this fit into the Model Stock Plan and its usefulness in keeping ourselves open to buy new merchandise? It does so in this way:

If we hold our minds to the basis of service to the customer, we avoid all conscious substitution of styles for values. Likewise, we refuse to buy such artificially stimulated styles and thus help to discourage producers from originating them and thereby gain the valuable reputation of offering more really good styles.

Each new item that we add to our stock we add only because it belongs in our full line at a definite price. It must

check in value against a BB. The Model Stock Plan will eliminate a great many articles that encumber an ordinary stock. So we offer our customers only tested values from a complete, scientifically priced stock that is still far smaller than the average. And even though some mark-downs will be necessary, as we have seen in the preceding chapter, we shall sell an unusually large proportion of our stocks promptly, before they lose salability through obsolescence.

Thus we avoid having in stock the slow-moving merchandise that usually prevents buying goods that we need and that will turn rapidly. We are turning our style merchandise more rapidly than has been possible under traditional methods, more rapidly than is possible without the Model Stock Plan. We are always open to buy goods experimentally at the earliest manifestation of a new style trend and to place orders in adequate quantities for this new style just as soon as we are sure it is in general demand.

Customers, therefore, will recognize our store as the one where they are sure to get the newest good styles. This brings a further increase in the goodwill of our store. Likewise, it adds to our power to buy and sell new styles far more profitably than competitors, using old methods, possibly can.

The fiscal year 1920 to 1921, with the post-war deflation and shrinkage in merchandise market prices, was one of the best and most profitable years that the Filene store in Boston has ever experienced. Yet management and merchandise executives had to hold constant conferences and take unusually heavy mark-downs in the main store. But the basement—where the stock turns very much oftener than that of the main store—did not need this special attention and caused practically no anxiety, because the stock changed so often that it was safe. Time is a prime factor in almost any depreciation of merchandise stocks. Increasing the rate of turnover reduces the time that goods are held in stock and so lessens the risk of depreciation.

We must not assume that using the Model Stock Plan will automatically cut down the size of our stocks. To be sure, when properly applied it is certain to speed up our rate of

turnover. But it is possible that the Model Stock Plan may show conclusively, as we get into its specific application to our store, that some of our present stocks are so incomplete and small that they prevent our getting the volume of sales we should have. In other words, when we go at it scientifically we may be forced to the inescapable conclusion *that what we need is not smaller stocks for our present sales volume but actually a larger sales volume that will follow more complete and larger stocks.*

Let me emphasize right here that under traditional methods a larger stock is not necessarily a more complete stock. Under the Model Stock Plan a more complete stock *may* be smaller; but under the Model Stock Plan a smaller or a larger stock is bound to be more complete.

Plainly, when we come to apply the Model Stock Plan to a store where traditional methods have prevailed, we shall find that in applying the plan we are shown precisely how large a stock we should have at a given time in order to earn the largest total profits. Within very narrow limits, the stock should be neither larger nor smaller than the ideal figure for our Model Stock. We shall thus determine how to build up the stock that will be most profitable and what the size of this stock must be.

The size of this stock should not be cut down or enlarged by any arbitrary limitation, therefore, either by a money limit or any other limit. *On the contrary, if the management of the business is determined to make steadily the greatest total profits, then it will hold itself responsible and bound to make its publicity plans and appropriations and its other policies such that the turnover of the Model Stock will be fast enough to make it possible to keep the Model Stock continuously right.* It will not do for the management to lay the blame on the department buyer so long as he is working the Model Stock Plan properly. As long as the management retains this buyer in its employ, so long is the management responsible and obligated to do its full part in obtaining the greater total profits that inevitably follow the Model Stock Plan properly applied.

With a proper plan it is possible to build up a really complete stock and keep it complete with safety, fitting the real needs of customers. No buyer can hope to keep a complete stock unless the management makes plans to help him turn the complete stock often. Suppose a given stock is $50,000 and monthly sales are very small, say $5,000. The ordinary procedure would be to cut down the stock to $12,000 or $15,000. If the Model Stock Plan shows that for a complete stock we must have a $50,000 investment, we know that we must push up sales to $18,000 or $20,000 each month. With this knowledge so definitely forced upon us, it is almost certain that we shall so increase our sales; for no advertising that competitors can put behind their incomplete stocks can more than temporarily prevent the customers from coming and buying from our complete stock. Complete stocks confined to the mass-selling prices—that is the first step toward this more-total-profit goal.

The Model Stock Plan is not something that was thought out at one sitting in a book-lined study far from commercial distractions. It started in a struggling little store with ambitions for greatness. The plan grew under practical conditions and was modified and improved with actual experience and commercial research as the store became larger and more prosperous. Despite all of the ambition and energy and hard work that went into the making of the store, the process would have been comparatively far slower and more painful and risky without the guidance that the Model Stock Plan gave management and buyers.[1]

Great as have been its demonstrated possibilities in the past, they are far exceeded by its value now in this Second

[1] With the Filene store in Boston operating—as it has for many years operated—on the principle of self-government by the fellow workers, the Model Stock Plan has never been applied completely throughout the store. It has been used only to the extent that the fellow workers in charge of various responsibilities have understood its value; and there has admittedly been room for a better selling job than was ever done in this connection. Everywhere in the store the Model Stock Plan has had its effect, in some divisions more than in others and at some periods more than at others. Yet, frankly, the store has never typified the possibilities of the Model Stock Plan when it is applied scientifically and fully.

Industrial Revolution, where the great prizes are going to those who apply the principles of mass production and mass distribution.

I firmly believe that a scientific examination of the facts would show that if the Model Stock Plan had become the established usage of the department stores 10 years ago, their growth would have been much more rapid and the growth of chain stores much smaller than it has been. For the Model Stock Plan greatly concentrates buying and, therefore, gives bulk buying to the department stores using it; this has its greatest advantage as applied to the higher-priced goods, where the greatest wastes in production exist today and where the possibilities for enormous savings exist. In addition to this, the scientific handling of style goods by the Model Stock Plan is also a big advantage. Moreover, department stores have other obvious advantages that the chain stores have not and will never have unless the various chains "tie" themselves together and, in addition to their neighborhood stores, occupy department store buildings.

Independent stores and department stores will be greatly helped in meeting chain-store competition by using the Model Stock Plan. It fits perfectly into the new, more profitable method of mass merchandising. As long as there was no mass production in the world, applying the Model Stock Plan was less easy and perhaps less important. Now that mass production and mass distribution—as typified by Chevrolet and Ford and the chain stores—are clearly showing that they are the source of the greatest total profits, our Model Stock Plan is proving itself peculiarly fitted to get the greatest results from this new industrial machinery. Its use is bound to earn even greater total profits than in the past.

Distribution as practiced today is so wasteful that in a very few years we shall have trouble understanding how we ever tolerated its wastes for so long a time. Within a very few years, better, more scientific methods of distribution will be in general use.

Merchandising by opinions is becoming more and more difficult. It used to be so simple that any normally intelligent man could find for himself the most profitable way to operate. No longer is this true.

Waste-saving methods, which today are distinctly on the increase, are the source of the really sharp competition. The wasteful business cannot stand up against truly economical methods. This applies particularly to the wasteful independent retail store, for the chain stores are bringing more economical methods into retailing.

Moreover, manufacturers who have eliminated most of the wastes of production will not, cannot, tolerate enormous wastes of distribution. A waste in distribution affects the mass producer just as if it were in his own factory, for it increases the price to the consumer and thus decreases his total sales.

So the products of these better value manufacturers will inevitably flow through the most economical retail channels. The backward retailer cannot meet this deadly competition with its low prices based on its double saving. Or if retail channels do not voluntarily open for economical distribution of their goods, these waste-saving mass producers will open still more direct channels of their own.

Keen minds applied to these problems of distribution are cutting out wastes, making competition harder for those who operate by opinion and guess. Opinion cannot stand the profit test against facts.

Many an individual or corporation becoming acquainted and familiar with the Model Stock Plan in these early years of the Second Industrial Revolution will be sent willy-nilly into mass distribution in fields as yet unexplored. And these users will find themselves in very much the position of men who have found and staked out new oil or gold fields.

The small business man who thinks himself excused because his business is so small or because it is a neighborhood business must take warning. In the improvement of distribution and the necessity to fight waste, it is certain that the masses of population will more and more increase their

purchases in those channels which combine the savings of mass production and mass distribution. The savings that come to the customers from stores which make use of these means to give better prices, better qualities, and better styles will draw trade like a magnet draws iron.

It is probable that general purchasing and consumption will in almost all lines increase under mass production as fast as mass production increases its output. Then the method of reaching every neighborhood by goods sold at the lowest price under the Model Stock Plan will not only be found—as it has already been found in the food lines by chain grocery companies—but also good minds will increase the efficiency of the method.

When this happens, the small merchant doing business in a single neighborhood along old-fashioned, traditional lines will lose his sense of security of holding the trade of his neighbors. Most neighborhood grocers, lacking knowledge of scientific retailing, have already lost this sense of security; many have also lost their businesses.

The Model Stock Plan embodies principles so basic that they will help a small independent retailer or a metropolitan department store. *But the independent retailer, doing a small business against actual or potential chain-store or department-store competition, is in as urgent need of this guide to planning and operation as is the big-business merchant downtown.* Competitors profitably operating at lower prices constitute a grave threat to either one.

Great new markets are found by lowering the prices at which commodities are sold, thus bringing the goods within a range of prices which more people can pay. This is the fundamental principle upon which mass distribution is based, the principle behind the growth of the chains. Mass distribution is largely what has made it possible to sell the same articles measurably cheaper and in far larger quantities than ever before. The reductions in price are brought about not by reducing wages either in production or distribution, for that would lessen the purchasing power of the very people to whom we wish to sell, but by the elimination of waste and

unnecessary duplications, due to unplanned, haphazard merchandising.

The merchandise of each full line in a Model Stock is concentrated at those three price levels at which the greatest volume of goods can be sold, the mass-selling points at which the greatest number of people buy.

As we know, it is in practice possible to obtain, by greater sales and improved methods, for each of our price lines many of the goods that are originally made to sell at higher prices. This makes for satisfying more customers and, therefore, greater volume and greater total profits on smaller stocks. With this faster rate of turnover the total percentage of expense of doing business is proportionately smaller. This is one of the major reasons why we may count on doing away with many of the current wastes in distribution when we operate our store on the Model Stock Plan.

Before going further, let us briefly sum up the principal benefits that the Model Stock Plan brings.

1. It takes much of the guessing out of buying.
2. It makes for selling in larger and larger quantities with comparatively smaller total stocks and, finally, in the largest practicable quantities, thus increasing the rate of turnover.
3. It reduces the loss from mark-downs.
4. It permits carrying more complete stocks with greater safety.
5. It increases total profits.
6. It makes it easier to cater consistently to the same class of trade in all departments.
7. It serves the public better.
8. It meets the coming business changes.

We all know that in some lines production methods are comparatively unformulated and haphazard. As long as they continue so, the greatest service cannot be rendered to consumers by the retailers. Lower and lower prices—combined, of course, with proper style, *good value*, and good taste—with all elements of waste eliminated in production and in distribution is a logical, attainable, and most profitable ideal.

This is what we obtain from the Model Stock Plan. For merchandising by a plan that leads to mass selling combines the strength of the chain store with the strength of the individual store; and the combined power is the greatest it is possible to get without consolidated or cooperative buying. As sales volume increases under this plan, experience shows that the result is eventually practically equivalent to the selling and buying power of a specialty chain store at each full-line price, especially if the advantages that the Model Stock Plan offers for group buying are used. Meanwhile, the Model Stock organization for bulk selling fits the store to become, if the owners desire, the nucleus of a chain of similar stores, or to merge with other stores into a mass-distributing power of the type that the future will demand in every line.

CHAPTER IX

THE MORE-PROFIT TIME TO SELL—THE SELLING CALENDAR

The selling calendar's dates and their problems. The yellow-ticket method for safer buying. First showing should be early but not too early. The opening controlled by completeness of stocks; highest-priced full line emphasized now. Mass selling when stocks are largest; best-selling full line now emphasized. When to shift the emphasis to cheapest full line. When to set "closing out" and "end of season."

In planning for complete stocks, time is of major importance. To buy properly, to be of the greatest service to customers and still to attain a sufficient rate of turnover and a fair profit, it is obviously necessary to have goods when customers want them and in the proper quantities to supply this demand but not in excess of the proper quantities.

Obviously, if we have Christmas-tree ornaments on Oct. 1 but have none left by Dec. 15, we are not offering our customers a complete stock of these goods at the very time when they are most in demand. Almost as obviously, if we have a stock of Christmas-tree ornaments complete on June 1, it is not only doing us no good but also it is perhaps preventing us from buying enough Fourth-of-July bunting which we shall have urgent calls for within two more weeks. Extreme as these examples may be, they serve excellently to emphasize that unless a stock is complete at the right time—and only at the right time—it is not a Model Stock.

It is a part of the merchant's job to know accurately when people want the different kinds of goods; not only that but also when the goods can be bought to the best advantage; for manufacturers as well as retailers have to contend with a seasonal demand, and the time of placing an order may have much to do with the price. Every buyer has, therefore, whether or not he formulates them consciously, what I call "buying" calendars and "selling" calendars. The

easiest way to be sure we know a thing is to put it down concisely in black and white. In the Model Stock Plan buying and selling calendars consist of written dates.

In one calendar we set down the dates of manufacturers' seasons, to aid in buying the goods to the best advantage.[1] In the other, the selling calendar, we set down the decisive dates of consumer demand, to aid in having the merchandise on the counters when it is called for, in the quantities needed, and not in too great quantities when it is not needed. The difference between writing down the dates and not writing them down, the difference between having records and not having them to give us facts instead of opinions and guesses as to the dates, may be just the difference between large and small total profits, or, perhaps, no profits at all.

In the selling calendar the following are the dates it is important to have clearly before us:

1. First showing.
2. Opening.
3. Mass selling.
4. Closing out and end of season.

Each of these four dates on the selling calendar presents a distinct set of merchandising problems. Let us consider them in turn.

First, what are the principles to be used as a guide during the period of the first showing? This is, in fact, one of the most important dates on the selling calendar. Let us understand clearly that it should not be confused with the time when the manufacturer makes his first showing, which is another thing entirely.

It is well to bear in mind that manufacturers, as a rule, know as little as retailers which styles and new kinds of goods are going to win favor with customers. Much is being done at present to make guesses right but much more will have to be done in the future. Manufacturers' first sample lines are now, to a considerable extent, guesses.

[1] The buying calendar as a merchandising tool under the Model Stock Plan, with its especially significant dates, is explained in detail in Chap. X, p. 137, along with the other phases of the plan which apply most specifically to buying activities.

The foreign buying of style apparel illustrates this. A manufacturer or importer goes to Europe. He sees different proposed styles, but, as a rule, cannot remain abroad until the public's final judgment is pronounced. To stay that long would put him too far behind in getting his own manufacturing under way.

When we come, then, to buying style goods so that we may offer them to our customers at the earliest possible moment, we must decide which of the styles shown by manufacturers will succeed and which will fail. Here we, too, are guessing.

A scientific method, of course, combined with a careful study of the experience of the past, helps greatly. We use our best judgment in looking over the samples of the manufacturers and from experience pick what we think may be favorably received. But let us not pretend infallibility. Let us admit that we do not know, for we do not.

One guide besides experience may be information that we possess concerning the trend of styles and of demand in general. This is too large a subject to be treated at length here; but there is a steady trend, an underlying law of fashion through the years, and there are waves and recurring tendencies, all of which have their share of influence. Present methods may seem to indicate that they are largely freakish, but further study may disprove this and disclose scientific principles.

There is one procedure, however, that offers an appreciably scientific method and reinforces the present methods of reaching the final decision. This is what I call the "yellow-ticket" method. Before we examine it in detail, though, let us refresh our memories of how the problem that the yellow-ticket method tackles is handled in the typical small store, where the proprietor has to watch everything closely himself or else be unable to pay his bills.

He usually buys and oversees the selling in person. He gets daily the most reliable information possible as to the desirability of his merchandise through a direct personal contact with his customers and first-hand knowledge of their attitude toward his stock. He remembers very exactly what

he buys, and he has time enough to finger through the bills to see what he has found it necessary to reorder. So, by memory and close contact he can keep track of what he sells first and in largest quantities. His method is good.

But let the store get bigger. The buyer of a department is no longer the proprietor pressed by the necessity of meeting the store's bills. Pride in his own opinions, delight in special kinds of merchandise, or some other guiding motive may supplant in some degree the fundamental need of buying only what customers want to buy.

This man puts in his sample lines for a first showing. Some of the samples sell quickly. In the press of affairs perhaps the buyer forgets that he ever had them. By the way they sold out, they appeared to be popular. But when the buyer comes to decide where he will bulk his orders, he often chooses to an indefensible, unadmitted degree from the stock that is left; in other words from that which did not sell so quickly. I have known this very thing to happen often. Frequently, the buyer does remember some sample that sold quickly. Frequently, his memory may be refreshed when he goes to the manufacturer to buy.

At best, however, this method is uncertain. Very likely the buyer will reorder at least some styles for which his customers have shown no great liking. Some of the others that they chose first he will fail to reorder. Very often he will make his first purchases in too large quantities, with clever advertising and skilful salespeople will force their sale, and then, because he has sold a quantity of them, proceed to reorder them even though they are really not the best that the market affords nor in the long run the most satisfactory to the customer. That is not the best buying.

The yellow-ticket method is designed to prevent these mistakes. It operates as follows:

We go into the market. From all the manufacturers' samples we pick out what experience teaches us to buy. We send these first purchases to the store, in small lots and often in single pieces only, and put on one piece of each lot a yellow ticket, which means "this piece is not to be sold."

Yellow is used as a distinguishing color and to serve as a warning. If a customer wants to buy a piece of merchandise that bears a yellow ticket, we will accept a special order for it; but the sample must not leave the store. Its usefulness would end if it were disposed of. The object of having it is to hear and record the comments of as many customers as possible and to find whether or not they approve of it.

If sufficient demand develops for a given yellow-ticket sample, we may reorder a small quantity so as not to lose customers who refuse to wait for a special order to go through; or, in departments where the articles tested by the yellow-ticket method require the purchase of fair quantities, we might buy a relatively small quantity and put a yellow ticket on only one piece, allowing the others to be sold.

The yellow-ticket piece *must* be kept. The entire value of the method lies in enforcing such a rule. Thus the buyer will have before him, when the time to reorder comes, samples not only of what customers liked but also of what they did not like. These latter will aid him in avoiding the purchase, in quantity, of unwanted merchandise.

The very first buying, therefore, will be guessing; but the reorders will all be the choice of our customers. The earliest buying is by customers who do not represent the mass demand that is coming later on. So the very first sales must not be taken to indicate conclusively what will be the bulk of the demand during the season. They may be taken merely as showing the general compass direction, with a large likelihood of error.[1]

We can meet this probability of error scientifically by placing small first reorders. It is easy to do this if we start early enough with our first showing. Manufacturers will not yet be too busy. After we have reordered once and then again, we may increase the order. Gradually, guessing

[1] Most buyers will find out of their own experience that some of the statements here are commonplace. But by refreshing our memories they help us to compare the results of our own successful experience with these phases of the Model Stock Plan, and, hence, to appreciate some of its less obvious methods and principles which offer us opportunities for increases in total profits and, consequently, still more successful careers.

is largely eliminated. Our customers more and more show their decided preferences. Some of the pure guesses of the first showing become certainties. We reorder, and we reorder correctly, because customers have indicated their choice. What they choose may differ from what we would personally prefer to have them choose, but a good buyer never forgets that he is not buying to please himself.

I have never heard of a better guide for buying than that just outlined. Let us approach our buying humbly. Be cautious. Test demand. Correct our guesses by the daily evidence of customers' preferences.

Along with other merchandise at our first showing we should have some lines in which are included a fairly large and a complete range of sizes. Perhaps that seems, at first glance, to contradict the conceptions of first-showing buying already expressed. In reality it does not. An investigation of demand and—in style lines—of style trends, will show that certain styles and kinds of goods are wanted year after year by certain types of customers, with perhaps, at times, small modifications.

So much for some of the principles that govern merchandising at the time of the first showing. Now, how can we determine the date of it? The following definition may help:

The first-showing date is that date when we decide to show our customers, in our windows, on the sales floors, and in the newspapers, the new styles of the coming season *in adequate quantities*. The final three words are very important. As early as possible and from week to week we should show small lots or single pieces of new styles as they appear, simply in order to be the first to show them. This may give us an advantage in competition and add to the prestige and goodwill of our store; but it does not constitute a first showing for an entire class of goods. It is only when we show a reasonably adequate range of the new styles in fair quantities that we have a genuine first showing. How do we determine when to make it?

The earlier we are able to show a reasonably complete line of novelties, the more time we shall have to get our

customers' judgment on them before our competitors have found out the same thing and placed their orders, with the consequence that manufacturers have become busy and desirable goods and materials have become scarce. The date, therefore, should be early, but not so early that it fails to accomplish its purpose effectively. In other words, the quicker we can get a new style or a new kind of goods to our customers and the more we can outdo competitors in the first showing the better off we are. If there are any limitations to that, they are exceptions which prove the rule.

But—and this is important—we should not be tempted into making too much of our first-showing advertising before we are really ready with merchandise to fill calls and before our customers are ready in sufficient numbers to buy. If we disappoint people and rouse their expectations without being able to satisfy them, we shall lose sales at the time, and many of these people may lose faith in us and not come back.

To review the process of building up a complete stock by this plan, we go into the market and choose the best samples we can; put yellow tickets on one piece of each lot in order that when the time for ordering in quantity arrives, we may have at our service the judgment of our customers on our preliminary purchases; reorder in small quantities those items for which customers have placed some orders; and later reorder in larger quantities the more popular pieces. Thus, gradually, we come in a systematic way to have a complete stock based not on guesses but on what customers have shown they want. This is the stock which will sell most profitably.

Now, if we always had three months or so to devote to this work before we came to the time of largest demand, we could do it all fairly easily. However, at best the time between the different dates on the selling calendar is very short. One of the difficult problems is the necessity for acting decisively and yet correctly in so short a time. We must work quickly.

It is to our interest, as far as the approaching season is concerned, to have our first showing date as early as possible. But we must time it nicely. It must not come so early that

the advance goods interfere with selling the goods of the current season. Departments differ tremendously as to the time of the first showing. No general rule can be given to cover the determination of the dates. We shall be greatly helped if we have the merchandise to advertise strongly early enough to get a bigger early trade than our competitors.

The second date on the selling calendar is the opening, the date when we have built up a stock complete enough to meet the demands of the early buying customers attracted by our early advertising.

In our earlier days of merchandising at the Filene store in Boston we always used to advertise and emphasize opening dates and make a ceremony of them. Most merchants did the same. Getting ready for an opening was the greatest preparation for a new season. Later, with increased facilities for getting goods, with permanent representatives in foreign markets, and with far closer contact with domestic markets as a result of better transportation and communication facilities, the idea has passed of showing at one time about all the novelties to be shown for the season.

Nowadays most merchants aim to show novelties as soon as they come out; and they are largely governed by the fear that to overemphasize a fixed opening date may make customers think it is the first time they have shown any real novelties that season, or the first time they are really prepared with adequate stocks of the new season's goods. They have departed more and more from advertising extensively a fixed opening date. For the purpose of our merchandising, however, it is well to have a fixed date toward which we and our assistants are working to have adequate stocks ready, even if we do not advertise it as such.

The opening comes at a time when our stocks are complete. The quantities may be small. Where the Model Stock Plan is used, nothing except mere carelessness or bad buying can cause so many mark-downs as having too large a stock at the opening. We must stick to small quantities. We are still in an experimental stage. We have, of course, been trying through the period of the first showing to get people to decide

on the yellow-ticket novelties. But we have not yet had the mass judgment of a large number of people on them. We get that later.

At the opening date, the highest-priced full line should bear the emphasis in our selling activities. This line must be pushed and sold chiefly from the opening date to the time of mass selling. Otherwise, we may have to take great losses on it. In practice most merchants know that if at the opening we give the strongest publicity to the best-selling full line, we shall not sell our highest-priced full line in sufficient quantities. Here lies a common reason for heavy mark-downs. If we make this mistake and disproportionately push and advertise our best-selling full line too early—that is, before the time of mass selling—when the time comes that it really should be pushed, it will be difficult to advertise and otherwise present it in ways that are not repetitions of what we have already done.

Moreover, any store that begins to advertise cheap goods too early makes a bad impression on those customers who would ordinarily buy the best-selling full line as well as the highest-priced full line. Customers of our average and higher-income classes would prefer to buy at stores that are known to sell goods of the higher-price levels. This is true even of the customers who actually buy the cheapest full line.

So, if we advertise and display prominently our cheap goods too early, the whole buying public gets the impression that if an article comes from our store, they are convicted of buying at a cheap establishment. Practically all of our customers had rather buy their goods in the highest-class stores, if they can get them there at fair prices that they can afford to pay. Consequently, we must, if we hope to earn the greatest total profits, carefully avoid doing anything that will make our store's label represent in the public's mind a store specializing in cheap goods.

Now we come to the third portion of the selling calendar, the time of mass selling. This is the time for a hard sales drive, and the date should be determined by three distinct considerations. It should begin:

1. Just about two weeks before the time of greatest demand.

2. When our stocks are largest and as complete as possible.

3. When we can profitably spend the most money for publicity and newspaper advertising.

The aim is to make a record, a new high-water mark. There are several good merchandising reasons for including this as a specific date in the selling calendar.

Why should the mass selling precede the time of greatest demand by about two weeks? For one thing, we can handle the business better at this time. Just before we naturally have our largest demand, our salespeople are not so busy. Moreover, our best publicity for the time of greatest demand to follow, which ought to be the time of the greatest profit, is to have as many satisfied customers as possible wearing or using our goods.

At the beginning of the period of mass selling, our basic stock should be larger than at the opening and larger indeed than at any other time. It is hardly necessary to discuss the well-known, almost obvious principle that stocks of wanted merchandise should be large when entering a busy season. It is not so apparent, however, why the total stock may be smaller at the very height of the period of mass selling than at the beginning.

The period of mass selling is the logical time to feature the best-selling full line, because this is the period when sales resistance is least. So the beginning of this period should be the time for which we have made the most liberal appropriations for publicity. Fundamentally, the ideal condition is to keep the store running at full capacity every week of the year rather than to put an extraordinary strain on it one week and employ only 50 per cent of its capacity another week. The greatest publicity should come at the beginning of the period of mass selling, therefore, when the natural demand is not yet at its peak, but can be stimulated, and the danger of straining and overloading our organization is small. It is possible in this way to induce a customer to buy 10 days earlier than ordinarily and to bring into our

store a good many customers who otherwise would buy of our competitors.

The cheapest full line ought not to be overemphasized at this stage. It ought to grow out of our experience with the best-selling full line, and the best-selling full line, in turn, ought to grow out of our experience with the highest-priced full line. This is the way demand travels: first, something very exclusive is put out by a high-priced store; presently, a popular-priced store gets out something like it; and, finally, a cheap store finishes it.

It may seem that all we have been saying here does not apply to staple goods. This is true to a degree. But we should bear in mind that the whole tendency of production is to put as much style and as much variation as possible into staples, so that a style element enters importantly into most of the merchandise which most stores handle today.

Manufacturers in general understand and try to apply the principle of the even load better than retailers do. They know that it tends to lessen the percentage of overhead expense; and yet the principle can be applied just as profitably in the store as in the factory. There are some factors that one cannot wholly control, such as the annual rush at the Christmas season; but one should determinedly do as much as possible to distribute the business more evenly. It is better to build up a business of $10,000,000 by doing $200,000 a week than by selling $300,000 in some weeks and only $100,000 in other weeks. We must have a larger force in order to take care of the rush business of the $300,000 weeks. Unless we are willing to have the uneven distribution of business cause us in the $300,000 weeks to augment our force with temporary salespeople, we have only one possible course. If we value a well-trained selling force we shall support it in comparative idleness through the $100,000 weeks. The dissatisfaction among employees from the strain of heavy weeks and the idleness of light weeks is about as harmful as the expense.

We all know, therefore, that much is to be gained from strong publicity to stimulate buying before the real peak of

mass selling arrives, in order to distribute the load of the whole period more uniformly and to find out before our competitors what the most customers really want.

Following the period of mass selling come the final dates on the calendar, closing out and the end of the season. These should be determined by the following considerations:

1. The desired condition of our stock in relation to the manufacturers' stocks.
2. Market conditions, which vary somewhat in different years.
3. The demand for next season's goods.
4. The first-showing and opening dates of the following season and the stock-taking date.

One definition of the end of the season might be that it is the time when the demand is about to change from the kind of goods suitable for one season to those suitable for the next. When it comes, we should definitely determine what part, if any, of the goods we then have on hand will be suitable for the coming season. The leftovers, such as we may have, must be closed out. The object of this is to avoid the twofold danger of reordering goods that cannot be sold profitably before the end-of-the-season date and of being out of goods that might be sold profitably before the new season actually begins.

In this chapter we have seen that a complete stock pays us, and that a large stock is not necessarily complete. We have looked into the ways in which complete stocks at only three price levels make it easier for the customer to buy of us. Then we came to a detailed consideration of the selling calendar and its usefulness in keeping our stocks complete at the right times and getting rid of them before they hang heavy on our hands.

We are now ready to consider the buying methods that, combined with the other integral parts of the Model Stock Plan, help us to make sure that our whole stock is of exceptional value. For this, after all, is a major purpose of our merchandising method. If we can build an active, militant goodwill toward our store throughout a sufficient proportion of the public and support it with sound operating procedures,

we shall have little need to worry. We can then count on making ours the fastest growing store in the community and earning much greater total profits. Happily, a complete stock is not necessarily a large stock. A right Model Stock is, in fact, likely to be a smaller stock than the same store carried before. *But a Model Stock must be a more complete stock; and such a complete stock pays us greater total profits.*

Suppose that before we adopt the Model Stock Plan we carry five price levels in a class of goods; mind you, most stores carry far more than this. There are also five style divisions in this class of goods, five colors, and five materials. Then the total possible combinations would be $5 \times 5 \times 5 \times 5$, which is 625. If each of these 625 items must be carried in a full assortment of sizes, no store in the world has the resources or the trade to make such a full stock sell quickly enough, turn often enough to avoid obsolescence, and show a net profit.

By reducing the price lines to 3, we cut the possible varieties to 375 before size variations, which leaves a theoretically complete stock still beyond our reach. So, in actual practice, neither we nor any other retailers can carry a theoretically complete stock. Instead, we strive for what might be termed a "commercially" complete stock; that is, we select from a theoretically complete stock those items which we have reason to believe will best fit our customers' requirements and carry those numbers in stock.

It is impossible to do business on only one style, one color, one price, one material to suit every taste in dresses.[1] But the closer we can approach this situation the better. *When*

[1] Perhaps the closest approximation in the field of women's clothing is any one of the so-called "sample dress shops," which confine their operations to a misses' size 16 and women's sizes 36 and 38—the three sizes at which the largest number of sales can be made. These shops cheerfully forego all sales to women of other sizes for the sake of doing business on smaller, fast-moving stocks. Women's or men's hats at a single price but with a wide variety in sizes and styles is another form of the same thing. And the past few years have witnessed a startling growth of chain stores that retail all their suits and overcoats at a single price. The Richman chain of men's clothing stores is the outstanding example, selling at $22.50 topcoats, ulsters, all types of overcoats, sack suits, tuxedo suits, full-dress suits, cutaway coats with striped trousers—all for the single price, resulting in extraordinary total profits and steadily growing sales volume year after year.

we get our prices down to three, for the same total investment we can carry at each of the three price levels stocks much more complete than previously at any of the many price levels. Also, under the Model Stock Plan, our stocks are made still more complete because many of the more desirable goods manufactured to sell at in-between prices are drawn to our next lower full-line prices.

The effect is that of a far more complete stock than the customer has ever found in a store operated on traditional lines. We show the customer a wide variety of styles, colors, and materials in a complete range of sizes, at each of our three prices, and thus increase our sales.

With our smaller number of variations and larger volume of sales, we do not suffer the usual fate of having the profits gained by completeness of stock offset by slower rate of turnover. We are turning our stocks so fast that we are able to keep our merchandise in step with style. Under the Model Stock Plan we do not have to spread our capital and our goods over too wide a range of prices.

Failure to maintain really complete stocks is serious. Every time that a customer fails to find in our stock exactly what is wanted, this reacts definitely against the store. The customer goes to hunt for the article in a competitor's store, and we lose the sale. Or else we succeed in selling something that is not the customer's first choice; this, in the long run, reacts so unfavorably that it doubtless costs us more than would actually losing the sale.

That the seriousness of this condition is not more generally recognized is due to its general prevalence in any community. Where every store in a community has incomplete stocks, the customer becomes so used to failing to find in a single store exactly what is wanted that this disservice is not seriously held against the merchant. But if even one store begins to carry really complete stocks, customers form the habit of going to that store first—if prices and styles are equally attractive there.

As we strive for complete stocks under the Model Stock Plan, and as we find it possible to approach completeness

more nearly than ever before, we shall find opportunities to improve our service to customers. For instance, an increase in the completeness of our stock of sizes[1] not only gains a direct additional volume of sales but also brings still more volume from the purchases made by these special-size customers in all the other departments.

Thus it is that a more than ordinarily complete stock becomes a drawing card. And there are other major advantages, such as the savings in alteration expense, where we have in stock the sizes needed and do not have to try to supply the right size by altering a wrong size, as is so often the case. The more closely we approach having a Model Stock the more advantages we shall find. Under the Model Stock Plan we get great economic forces working for our store's success.

The various elements that go to make up a stock—style, color, material, price, size—have differing effects on the customer. A customer is obviously interested in only one size. When we present a broad selection of styles, colors, and materials to select from, we make a favorable impression and permit the customer to eliminate quickly those which are least interesting.

But if we have many prices from which to choose, we complicate the customer's task of deciding. With only slight differences in prices, we put a woman shopper face to face with making up her mind whether the blue dress at $27.50, which she likes, is worth to her in style and quality the difference in price over the brown dress at $25, which does not strike her fancy quite so completely.

A frequent result of such uncertainty—as any experienced salesperson can tell us—is that she takes neither, but decides to look elsewhere before making up her mind. If we have three prices, for example, $15, $25, and $35, she confines her attention to the $25 dresses, assuming that this is her price level. And when it comes to choosing between two $25 dresses, one blue and the other brown, she quickly makes

[1] The opportunities for specialization in outsizes and other classes of goods are treated in detail in Chap. XVI, p. 235.

her decision and buys. If minor price variations are done away with and a complete selection offered at each full-line price, we have taken away one of the large obstacles to consummating the sale and have decreased the time required of our salesperson in making it.

This is not theory, nor is it confined to store retailing. Every experienced mail-order seller has learned by test mailings—and the results of no other sales effort can be so scientifically measured as can those of mail sales work—that if he gives the prospect too many choices he decreases his sales. In other words, simplify customers' problems of deciding and we make it easier for them to buy of us. In a retail store we cannot get down to having only one item at each price; but by getting down to three full-line prices we greatly increase our sales by lessening the customer's opportunity to vacillate.

CHAPTER X

THE MORE-PROFIT TIME TO BUY—THE BUYING CALENDAR

The sound approach to good values. The buying calendar and the seven seasonal dates. First showing is guesswork; checking up the facts. Showing full sample lines an important time for buyers. Busiest season means competition by buyers; buy when the fewest other people want what we want. The best styles come at between-season showing; the consequent importance of being then open to buy. The job season provides bargain lots; dull-season orders as rewards for prompt deliveries earlier. End of producer's season an opportunity for exceptional values.

In the long run, the right goods at the right prices are not obtained by tricks, by continual efforts to beat down the producer from his fair price, or by superficial smartness. Wise buyers get the right goods at the right prices by knowing the wants of their customers, the facilities of their resources, market conditions and tendencies, the movement of prices in the past, the forces that will probably affect prices in the immediate future, and by using all these forces to place their orders so that they may help the producer to conquer waste and save needless expense.

It is in this respect that the buying calendar[1] has its chief usefulness. The buying calendar is directly concerned with the manufacturer's principal seasonal dates. It varies, of course, with every line of goods. But when the buying calendar is made up for a line, a buyer who studies it thoughtfully will find it of great assistance in obtaining right prices from manufacturers and wholesalers; *there is a best time to buy*. This, in turn, makes it possible to offer right prices to his customers.

Producers, of course, have their seasons, just as the merchant has his. Sometimes demand is heavy with them

[1] The buying calendar was briefly mentioned in Chap. IX, p. 121, in connection with the selling calendar.

and sometimes it is light. Other things being equal, the manufacturer is most earnest in his endeavors to sell when buyers are pressing him least with their orders. If we are going to buy to the very best advantage, therefore, we must measure our stock requirements against the urgency of the manufacturer's selling needs. The characteristics of the typical manufacturing season are tabulated in the buying calendar. On this calendar of the manufacturer's production and selling season, these are the important dates:

1. First showing of samples.
2. Showing of complete sample lines.
3. Busiest season begins.
4. Busiest season ends.
5. Between-season showing.
6. Job season begins.
7. Season ends.

Let us consider the special significance, from a buying point of view, of each of these seven dates.

Manufacturers—and in this use the term includes also wholesalers, importers, mill agents, and all other resources—usually show their first samples too early. They have the same temptation to do it as have retailers.[1] They want to get the reputation of being first to show new things. The eager striving among competing manufacturers is, of course, of itself very valuable, because it helps us get the best that manufacturers can give.

The manufacturers have more than a competitive reason for making early showings, however. Some buyers must have their goods earlier than others. What is an exceptionally early showing for the merchants of New England may be hardly early enough for Pacific Coast merchants, if the manufacturer serving merchants in both localities has his headquarters in, say, New York.

Most manufacturers serve more than a restricted territory. Those retail merchants who are farthest from the market find it practically impossible to come and go from week to week. They must order in considerable quantities and place their

[1] Chapter IX, p. 127.

orders comparatively early. Their location causes them to demand a very early first showing of manufacturers' samples.

So, planning a long time ahead of the retail selling season as he must, the manufacturer guesses. When the manufacturer comes home from Europe, the European public's verdict on the style he brings has usually not yet been handed down. We touched upon this before, but it is worth emphasizing once more. In our first buying we must not fail to remember that we are virtually guessing that a guess made by the manufacturer, before style for the season is fixed, may or may not be a good guess.

By no means should we on that account refrain from doing our best in making selections. But the proper attitude, when first we go into the market at the start of a new season, is one of great modesty.

In buying the first goods, it is usually helpful, first, to make up our minds whether we want certain goods and, second, before ordering, to learn as much as we can about what other successful buyers have selected. Any amount of information, good or bad, is continually to be had in market centers. It serves any man who can make it serve him. Within the bounds of fair dealing we shall find out what the most successful houses are buying, and use it as a basis for comparison with our own tentative selections. We may then want to correct some of our first opinions or make some entirely new selections.

The second date on the buying calendar is the time when manufacturers make up complete sample lines of those styles which have been favorably received. They determine what has been regarded favorably, first, from the attitudes of the buyers themselves and, second, from the reorders which may have been sent in following the retailers' first showings.

Before this date there is very little buying in quantity, as purchases are largely restricted to the merchandise needed for the first showing of the retailer, plus enough merchandise to handle the business that results. In any event, this volume is not large. The appearance of the complete sample

lines marks the beginning of the main body of the buying season, after which the volume of orders increases until it finally reaches the rush-season peak.

In placing all quantity orders, and especially in style goods, the buyer should take care not to be governed entirely by current prices either wholesale or retail. The careful buyer will precede his visit to the manufacturers with a careful study of the outlook for raw materials. He should decide whether prices are likely to go higher or lower. He should try to foresee whether there is likely to be, later on, a surplus or shortage of raw materials or finished goods, labor, transportation facilities, credit, or any of the many other factors which may influence either the value of the merchandise after it is bought or the terms upon which it can be replaced later. In a word, he must see a fairly complete picture of the season ahead. The most steadily successful merchants do not speculate even in buying staples but buy only such quantities as they really need—only such quantities as will be reasonably sure to sell quickly enough to help a profitable turnover of their stock.

This second date on the buying calendar, the date when manufacturers show complete sample lines of the approved styles, is also the time when they are ready to dispose of the samples which were not favorably received.[1] This is an important time for the buyers, for by a study of both the complete sample lines and other samples which are not adopted for development, a buyer can make a direct comparison between the acceptable and the unacceptable, between the approved and the disapproved, and get a considerable insight into the style demand for the coming season—at least as interpreted by the consensus of buyers.

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[1] It is frequently possible to buy some of the manufacturer's sample lines at prices that will yield a good profit when sold at our regular full-line prices. These exceptional goods in our regular lines constitute real bargains of the type that convinces customers that we are leaders both in styles and values. Moreover, it is possible that in selling the sample lines we may get additional information about customers' tastes so that, at this comparatively dull manufacturing season, we can place some additional orders for the same articles at advantageous prices.

The third date on the buying calendar is the beginning of the manufacturer's busiest season. It is the time when the competition among retailers for merchandise is the keenest. Manufacturers are in their strongest position then. The significance of this date in the merchandising plan forces us to consider some fundamentals that underlie good service to the public and bring the greatest total profits.

Supply and demand are not always parallel forces. Demand, for example, runs down to little or nothing between seasons. It slowly mounts to a peak as the season advances, then comes down again. Sales can, perhaps, be stimulated so that it again approaches the peak, then again runs down to little or nothing at the end of the season.

This is typical. Supply, on the other hand, does not run the same way. It does not go up just as demand goes up nor down just as demand goes down. There is hardly ever a season when the supply curve exactly follows the demand curve; and the curve is not the same for different years.

It is important for the buyer to realize all this. I remember, for example, one season when the shoe manufacturers of the country did not know in advance that nearly everybody was going to want tan shoes. The supply was wholly inadequate at first. Later it increased somewhat, but soon fell off again for lack of materials, wavering uncertainly until the time of greatest demand had passed. Then the manufacturers began to pay for their lack of foresight by having an excessive supply. Plenty of "jobs" of tan shoes were then to be had at less than cost.

The variations between supply and demand may be increased by many other causes than lack of foresight on the part of manufacturers. Financial conditions, for one thing, are often beyond the control of manufacturers; but if they are unfavorable, merchants will be afraid to place their orders early. Supply may be large for want of early orders. All this has a definite bearing on the best time to buy. If we do not buy when we should and can get the goods, we may lose a lot of money by not being able to supply to our customers the goods they want; or, on the other hand, we

may make a lot of money by foreseeing a probable demand that is not visible to our competitors. In short, the more definitely we take into consideration all the factors that influence the manufacturer's busiest season and all the factors that make for his having large or small supplies on hand the better shall we be able to supply our trade at the right prices with profit to ourselves. We must remember that the manufacturer's busiest season is the time when he makes his greatest profits.

I have always held in our business that we should be able to make the most money when trade is generally declining. This conclusion is based primarily on three facts:

1. We are then willing to work harder, fight bad conditions more, turn our stocks more rapidly, and study more determinedly the scientific principles underlying good merchandising.

2. The supplies of available merchandise at such a time are the largest and can be bought more advantageously.

3. The difference between scientific and rule-of-thumb methods is more important when trade is declining than in a buoyant market and, therefore, scientific operation outruns competition by a greater margin. From all this there develops a fundamental buying rule:

Buy, if possible, at the time when the fewest other people want what we want.

We might phrase that in another way: in buying, eliminate all the competition possible; outdo others by harder work, greater zeal, greater knowledge, and closer study of market conditions affecting supply and demand, both as they are now and as they will probably develop in the future.

I know of one great manufacturing corporation that always refused any orders beyond its planned output. A great panic occurred. Almost everybody refused to buy. Yet this firm never failed to keep continuously busy.

It was managed this way: At the time of the panic its factories were provided with orders for the first part of the period. Cancellations did not affect them seriously because of their well-known, unbroken rule to book and fill every

order in the exact sequence received. Customers knew they could not get deliveries at the time they wanted them unless they placed their orders before the output for that time was sold.

When panic came, this company's orders did not suffer badly from cancellations. Customers knew that other years were coming and had no inclination to offend so dependable a resource by canceling unfairly, thereby running the risk of being set down as undesirable customers and of having their orders refused in subsequent years when normal conditions returned.

Thus the company's steadfast adherence to a sound policy kept it supplied with orders to fill out part of the panic period but not enough to see it clear through.

When, a little later, this corporation began to feel the pinch of insufficient demand, it met the situation by making up samples at prices so low that the orders obtained on this basis were filled at a real loss as long as the factories used raw materials they had in stock at the market prices prevailing before the panic.

But soon the factories had orders for a great quantity of goods. They used up the raw materials on hand and needed fresh supplies.

When this time came, the company benefited by the fundamental rule already mentioned. *It bought when its competitors were not buying.*

This company was then practically the only customer in the market for raw materials in considerable quantities. It supplied its needs at prices so low that the loss which had seemed inevitable was turned into a substantial total profit.

In the ordinary course of business we cannot always adjust all of our buying exactly to the fundamental rule. It is more important to have the goods customers want than to have bought everything to the greatest possible advantage. We can, however, follow the rule to a very great extent if we keep it firmly and continuously fixed in mind. We must employ foresight. We must comprehend the factors that determine when the manufacturers are to be busiest. We

must buy, as far as possible, when they are not busiest. We must readjust our plans to fit more nearly their needs and requirements; and we can do it, to a great extent, without loss of profit or merchandising prestige. Indeed, we can often add to our profits if we let manufacturers know that we are willing to use our best efforts to help them keep busy in their dull periods.

As soon as manufacturers have supplied the distant trade and the majority of nearer buyers, their busiest season ends. An idle manufacturer begins at once to look around for new avenues of business. He must usually get it by forcing sales. Usually, he makes up a new line of samples and tries to sell to retailers who are already fully supplied. This marks the fifth date on the buying calendar, the between-season showing. Its date will usually coincide with or closely follow the fourth date on the calendar, the end of the busiest season.

Usually these new samples are the best of the year. They are not guesses, as the very first samples were. Time enough has elapsed to get the information that comes from abroad and the information furnished by reorders, showing the actual demand. This makes it possible for the manufacturer to produce quite definitely what customers want.

Usually, however, most buyers are not then in a good position to buy. If they do buy, they must take losses on other goods already bought. The task for the merchant who studies his problem and is guided by his knowledge of the buying calendar is to *be open to buy at this time.*

It would be profitable to take 75 cents for every $1 paid for the goods in style departments at the height of the season, or just after the height of the season when the manufacturer's busiest season ends, if we could get rid of these goods and replace them at once with what we then know customers actually want. This would be true for almost any style stock. We could make more money by selling our goods overnight for three-quarters of what we paid, provided the following morning we could open our doors with a complete new stock bought at the full prices then current, containing nothing but what we knew was in demand.

When the manufacturer's busiest season is over, our great need is for quick deliveries. Our retail selling season is still good. It is then that we can begin to choose, with some reason for dictating, what manufacturers ought to give us. That is true also of the next date on the buying calendar, which is the time when the manufacturer's job season begins.

The job season is usually called the "dull" season. I call it the "job" season to bring home its full significance from the merchant's point of view. The manufacturer, for the sake of keeping his organization intact and his plant running, can afford to take a theoretical loss. It need not be a real loss. By keeping busy in what would otherwise be a time of comparative idleness, he not only keeps down the overhead expense per dollar of annual sales volume in addition to keeping his organization intact but also he may be able to buy his raw materials more cheaply. The merchant, for his part, needs bargain lots that he can feature in advertising. He also needs reorders of his good staples. We shall usually find it advantageous to give the business then to those manufacturers who gave our orders preference in rush times.

We should understand, at this point, that one object in merchandising by the Model Stock Plan is to keep busy more days in the week and more months in the year. If we succeed in getting a large enough part of our working force to understand the fundamental principles and laws involved in the Model Stock Plan, we can do this. There is no miracle connected with its accomplishment. And when we succeed, our cost of doing business, other things being equal, is less, we can give better service, sell cheaper, and show newer goods and better styles. Moreover, we thereby help the manufacturer to be more valuable to himself and to us by assisting him to reduce the amount of the idle time of his factory.

The final date on the buying calendar is the end of the season. At this time we should certainly be ready to take advantage of the final offerings of manufacturers, when they are willing to sell more cheaply than they have sold at any other time. Thus we can serve our customers by giving them

a chance to buy these goods at low figures. We must bear in mind continuously that the oftener we change our stocks the better we can satisfy a majority of customers with relatively small stocks. We must hold ourselves ready to take advantage of emergencies. I remember dozens of times when great quantities of good merchandise were thrown on the market at a decided sacrifice. Sometimes a mill failure brings unexpected offerings. Once, I recall, a mill suddenly sacrificed $1,000,000 worth of goods on the market at about the last minute of the season. The better we are prepared to take advantage of such unexpected happenings the lower will be the prices we can offer to customers.

Low prices—assuming, as we must, that the style and quality of our merchandise are at least equal to those of competitors' goods—are, we have already seen, the determining factor in building goodwill. And goodwill, more than any of the tangible assets, is what determines whether our business will earn for us the greatest total profits. A careful study and use of the buying-calendar principles will help us greatly to make low prices profitable and increase our sales and total profits.

CHAPTER XI

AN ENTIRE STOCK OF BARGAINS

Building goodwill by extraordinary values. The Model Stock Plan a scientific method of obtaining good values at prices customers most willingly pay. No competitor, operating on opinion, can meet these values. If we do not adopt the Model Stock Plan, competitors will eventually force us out of business. The value of training in fixed-price buying. Right deliveries as important as price. Looking at goods *vs.* looking at records. "Sighting shots" in buying. Plan the buying in the store. Humility and net profits. Dangers of large stocks too early. How to plan ahead for buying. Helping producers make money. Study resources constantly. Competition increases our profits by drawing trade. Internal store competition should be encouraged. The chain within a chain. If department stores had adopted the Model Stock Plan 10 years ago. A look ahead.

WITHIN 10 years no efficient, successful merchant will continuously advertise "special bargains," and, above all, he will not advertise bargains "for today only." Imagine Ford or Chevrolet advertising their cars as marked down for today only or for this week only. They act far more wisely. They know that the cars they offer are bargains every day, at all times, and that nothing could be more costly, more foolish, than to advertise them spasmodically at a reduced price.

The Model Stock Plan, efficiently used, provides bargains every day, an entire stock of bargains. By offering our customers an entire stock of bargains, we build goodwill more valuable than any other single asset of our business. The truth of this statement is as simple as A, B, C. But we know from our own experience in merchandising that building an entire stock of bargains is not simple. Actually such a stock cannot profitably be built up by commonly accepted methods.

Successful buying—which means, in the long run, buying to give our customers the greatest satisfaction and, therefore, yield us the greatest total profits—is not, under the Model Stock Plan, based on inspiration or opinions or even on that

trading genius characteristic of some outstanding buyers. Instead, it is based on using a definite, orderly, scientific process by which we determine largely in advance what goods our customers wish to buy, and what prices they are willing to pay. We then go systematically about obtaining for our customers these goods at these prices.

We have already seen that the first step in building a Model Stock, which means an entire stock of bargains, is to obtain a BB for each class of goods at each full-line price. Next we build the complete stock of each class of goods by painstaking comparison with the BB values. We shop all of our competitors' stores regularly to make sure that our BB remains the best buy in the city. We make careful and frequent comparisons between our BB's and all the rest of the full line of which this BB is a part, to assure maintaining the highest standard of values throughout our stocks.

The process is neither intricate nor elusive. If we do a careful, conscientious job of it, availing ourselves of all the other advantages that the Model Stock Plan offers us, we require only ordinary common sense and industrious working habits to make our entire stock a stock of bargains. We shall be able then to advertise truthfully, "*Every day is bargain day all through our store.*"

No competitor who runs his business along the traditionally accepted lines—by opinions, that is, instead of by facts—can possibly meet or beat us. Customers will buy where prices are lowest and values greatest, if style and taste and the other qualities are equal. Because we offer complete stocks of wanted merchandise at the lowest prices, we shall have customers regularly going past other stores to trade with us.

Probably it is worth pointing out once more, for emphasis, that adopting this better method of merchandising is not optional, it is mandatory, because economic conditions are shifting to the stage where an inefficient distributor cannot long continue in business profitably.

We have all heard during the past year or two the warning, directed to manufacturers, that they must install new,

modern, production equipment. If a factory does not install new, low-production-cost machinery, this does not mean that the new machinery will not be installed. It simply means that some newcomer in the field will start up a new factory, buy only the best machines to turn out goods by mass production at lower costs, and put the old, obsolete factory out of business. The new machinery, you see, will be bought and installed whether or not the old timer adopts it. The only difference is that it is installed and operated at a good profit under a new roof instead of the roof of the established firm.

An identical condition prevails in distribution. *If we do not adopt the more-profit, waste-eliminating methods of the Model Stock Plan, this does not mean that it will not be adopted.* It simply means that our competitors, and new competitors who see in our conservatism an opportunity to go ahead, will install these better methods in their businesses, and eventually they will force us out of business.

Just because we have always heretofore made money by our old methods is no more reason for sticking to them than an automobile manufacturer would have for keeping obsolete machines because they made money for him in the past. Competition sets standards to which we are forced if we are to earn the greatest total profits and remain in business. Plainly, the greatest opportunity for profits is offered the merchant who first adopts a coming, basic improvement; but eventually he will have to adopt it, anyhow, or else go under.

We have already seen how the Model Stock Plan increases our profits by literally forcing us to buy better values in order to get them into our fixed price lines. When we have determined the three prices and the three full lines according to the procedures already explained, we know the merchandise we want and the limit that we can pay, and the simple fact of knowing this is one of the greatest aids to getting what we want.

Recently, the head of one of the large, successful fixed-price chains was negotiating a merger with a group of stores

in a European country. He purposed to employ for these European stores head buyers trained and highly experienced in fixed-price chain-store merchandising. The European merchant pointed out that American buyers could not possibly know what the European customers like nor could they know the best buying opportunities among European resources.

Right here the American chain-store operator countered with a fact that has come to him from long, profitable experience:

I would rather have buyers who know best how to buy to a single fixed price than have buyers who know all the ins and outs of local consumer preferences and local producers. No other quality in a buyer will make as great profits for the store in the direct sales, and, in the long run, more and more profits from greater goodwill, as knowing that he has just one fixed price at which he must sell, and for which, consequently, he must buy within a definite range of cost.

The buyer who already knows this basic fact from experience can easily enough find out from his sales results and from native assistants what customers like and dislike. With his purchasing power, he can safely depend on most of the worthwhile suppliers finding him and bringing their samples. But if a buyer does not know how to buy for a single price, the handicap on us would be too great.

Of course the simplest and best way and the one that we shall finally work out here is to have native buyers. But until we can train native buyers who will be both willing and able to use this better method, we can only afford to have our buying done by trained, experienced Americans who are trained to the best use of this strongest and most successful method of buying to a fixed price.

As between a buyer who knows the local problems and a buyer who knows buying to a single price, I'll take the experienced fixed-price buyer every time, in any market, and under any conceivable conditions.

Most retail stores, even good-sized department stores in the smaller cities, cannot subdivide their buying to the point where one buyer or an assistant buyer can have charge of just one full line. But larger stores can reach this high degree of specialization; in fact, there is a notable trend in this direction.

The buyer who is concerned only with one item or with one line of goods to sell at a single price has, as the chains have already demonstrated, an immeasurable advantage over com-

petitors. The specialized buyer, working in this narrowly limited field, finds himself actually facing greater opportunities for department profits and personal income than he ever before had. With all distraction of other prices removed, he needs to think only about scouring markets and finding, or causing to be produced, all kinds of articles which competition has never offered, or, perhaps, never even thought of as possible at such a price.

For instance, imagine a department store buyer who does nothing but buy china and porcelain ware to cost not more than 60 cents and to sell for $1. In a community offering sufficient opportunity for sales, he can build up a china department at $1 which will become, by far, more famous among customers throughout his trade territory than the so often quoted five- and ten-cent porcelain values of Woolworth's. Porcelain and china manufacturers of this country, Europe, and the Orient will devote their best ingenuity to supplying him goods that will fall within his permissible range of costs. In fact, these manufacturers are already doing the same thing within the hampering limitations of a five- and ten-cent retail price range; for a retail price of $1 they could produce, in mass production quantities, values far beyond anything that has yet been produced.

We know that the principal function of a merchant is to obtain the goods his customers want at the prices they are willing to pay. This need the Model Stock Plan fills.

In the intelligent type of buying that this plan leads to, it is essential to keep in mind a number of considerations. Some of these are so generally known that they are repeated here only to set down in one place the whole group of buying methods that best fit into the Model Stock Plan. While part of these are almost obvious, others, and these among the most profitable, are a long way from the traditional methods.

We learned in Chap. IV of a method of recording the profits that we make from trading with each of our resources. This set of records is particularly useful when one of our buyers goes to market. He takes his records with him and can use them to show each manufacturer or wholesaler

exactly what have been the results, in dollars and percentages, of dealing with him. Obviously, if a resource is consistently unprofitable, if it does not help us in our purpose to offer an entire stock of bargains, we had best scratch it off our list. But if a resource is neither particularly good nor particularly bad, our records may help to bring better methods into its manufacturing and better judgement into its designing. The manufacturer who urges us to buy with the utmost assurance of the profits we shall make from the order he is pressing upon us loses much of his jaunty air when shown the high percentage of mark-downs we had to take on his last shipments. In fact, he is likely to be much more amenable to finding new methods of fighting the waste in his production and finding other improvements. As for the resource which shows a very good record of profit yielded, we have every reason to help it to earn a fair profit on the satisfactory goods we get from it.

An unprofitable producer does not become a good resource for us simply because he offers special lots at less than market prices. Plainly, he must make up these losses on something else, for he cannot continue to sell us only goods on which he loses money. Nor need we assume that a manufacturer preeminent for style will continue preeminent. Often this leadership depends on various factors, such as a particularly good designer; when this designer leaves, the factory becomes just one producer of a thousand.

In order of their importance, what we want from our resources is the right goods, the right deliveries, the right prices. Right goods we have already studied in some detail. *Right deliveries should always be considered in connection with price.* If a resource sells us scarce fur coats for 25 per cent less than the market price and does not deliver them because he has miscalculated the cost, the low price does not help us. Sometimes the lowest price is the highest, if deliveries are too slow. This fact must not be accepted, however, as defending poor buying.

It will pay us to keep a regular record of delivery failures and to let our resources know we keep this. As we have

already seen,[1] under the Model Stock Plan of operation we shall be buying a good deal of merchandise in the manufacturers' dull seasons. Dull-season orders are especially desirable to an intelligent manufacturer. So we may stimulate prompt deliveries by letting our resources know that, all else being equal, we give our dull-season orders to those manufacturers who deliver most promptly in the rush season.

Getting the right quality and the right price depends largely on our early knowledge of what our average customers will want to pay. The Model Stock Plan is our guide and helpful protector against paying prices beyond the reach of our customers. All through the buying process we must remember the good old common-sense rule that goods are worth only what they will bring. It is always possible that a given line of goods may, for some special reason, become so high priced that they climb beyond the price that the customer is willing to pay. For instance, at one time during the World War fur skins advanced so much in price that they were beyond the buying power of the masses of customers. Under these conditions, no great quantities could be sold profitably, even though our buyers might succeed in buying fur coats for 10 per cent less than the prevailing manufacturers' market price.

To a considerable extent we must rely on our Model Stock records to help us know what customers want and whether we already have it. But we must not rely too completely on records for our information along these lines. Admittedly, a complete set of statistics tells a buyer each material he has in stock and how the items of any one material are distributed as to sizes and colors. Still, he is not performing his whole duty if he goes into the market solely with the information supplied by the stock records. He should know the actual merchandise itself and regard the records merely as a device to save him the time and trouble of counting it.

We know, of course, that experienced buyers know all of the facts we are explaining here. But they are worthwhile, even though familiar to the reader, if they serve to bring out

[1] Chapter X, p. 144.

that the Model Stock Plan will bring us greater total profits than we could get by using out-of-date methods. Out-of-date methods can only result in reducing the total profits.

The records, then, cannot possibly show the buyer the details of the style features involved. They cannot show him whether all his garments are still in the height of fashion. They cannot show him whether they are still worth the price at which they were originally intended to sell. It may happen that on going over his merchandise he will find some of the coats he bought a month ago to sell at $50 are quite similar to those being offered by manufacturers today at a price which would make them sell for $42.50, which means that they are worth to him the next lower full-line price, say, $40. His records will not show that fact. They will show the coats still worth $50.

Furthermore, on going into the market with a clear, fresh picture in mind of what his stock actually is, he will judge better the offerings of manufacturers. Again, he may see a coat at a price to retail for $42.50 that he is carrying in stock to sell for $50. He knows that his competitors will eventually be selling this coat for less. If he is wise, he will at once mark these $50 coats to his next full-line price, $40, thereby not only selling them more quickly but also creating a greater demand for them so that he can perhaps place a large order that will enable him to sell them for $40 at a profit. Thus his total profit on the coats may be larger than if he had slowly sold out only the first lot at $50.

By examination of his stock records the buyer may see that $40 coats are needed, and that he has plenty of coats at $50, his next full-line price. On actual inspection of the merchandise he may see that his $50 coats are really worth only $40 at today's prices, that he should mark them down to that figure, and, in reality, should buy not $40 coats but $50 coats, because the mark-down would fill his need at $40, leaving him an undersupply at $50.

By this time we are certainly ready to agree that buying well under the Model Stock Plan is an orderly, scientific process. It is not based on opinion or inspiration. The

type of man or woman who functions most successfully and earns the greatest total profits for the department and the greatest income personally under this plan is distinctly not the genius type of buyer.[1]

As it is used in this book, the word "genius" is taken to mean a buyer whose chief strength is his special equipment of knowledge of style and applied art. For this very reason he is generally not best equipped to work in a systematic way to sell goods in very large quantities.

The Model Stock Plan requires, for its most profitable operation, an orderly, scientific approach. This indicates an intelligent, fact-finding individual with at least a reasonable knowledge of merchandise. Such an individual, making full use of all the methods of the plan, can hardly fail to attain results that bring in far greater total profits than were ever possible under the old methods.

That the essentially fact basis of the Model Stock Plan does not preclude some guessing on novelties and new styles must be apparent from the description in a previous chapter[2] of the way in which we employ the selling calendar in buying our very first style goods for a new season and to a somewhat less extent in placing our first, small-quantity reorders. The buyer in our store probably buys a small quantity of any style or novelty goods that appeal to him as desirable for the department. This buying is done in about the same spirit as a rifleman's "sighting shots" before he actually begins firing to hit the bull's-eye.

We must, of course, understand that the best place to plan the buying and to make out in detail the lists of what to buy is in our store. All buying elsewhere should be largely a matter of getting the best values to fill orders previously made up in the department by the department head, who will make the greatest total profits if he is primarily a seller. In the store we can analyze our plans in comparison with our stocks

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[1] We have seen in Chap. V that the buyer who is a genius has, however, a definite place in the Model Stock store as head of a de luxe department, probably where style is most strongly intrenched.

[2] Chapter IX, p. 121.

and strengthen our knowledge of resources by laying out side by side the merchandise in stock of competing resources. This is the scientific way to plan, without undue external pressure or influence. Also, we should get the advice of salespeople, assistants, and heads of stock, and thus make them realize more fully their responsibility for selling the goods so bought. If the department head actually consults his salespeople in advance about buying a certain article, and they approve it, they will sell it with more enthusiasm than if it is simply placed before them as something decreed by a higher power.

To return now to the earliest purchases of the season, the buyer checks up on his early purchases partly by the way that they impress customers and partly by comparison with what other stores are offering. These comparisons he should make not only in the stores of his home-town competitors but also in the metropolitan stores of his central market, whether it is in New York or Chicago or San Francisco. He must do this to make sure that what he has bought is not only good style but also good value.

Up to this point, the process is very much a guess. Sometimes the buyer's guess is right, sometimes it is wrong. Those of us familiar with the actual figures of retail markdowns on style goods know how much difference it makes in profits when the guess is wrong. Even staples—this cannot be too clearly emphasized—are too often bought solely by rule of thumb. Not only buyers but also managers are at fault in this. The big problem is to foresee general business and financial conditions.

A buyer should, then, approach the buying for his first showing in profound humility, acknowledging to himself that he does not know with any certainty what his customers are going to want two or three months hence. It is impossible to overemphasize this need for humility in all buying, even with the best assistance of scientific methods. A buyer who says frankly at all times and lives up to his admission, "the customer decides, not I," has found the best basis for merchandising; he has found the way to greater total profits.

Excepting for some staples, our process of retailing is, in fact, basically about as follows: We buy what in our best judgment we think our customers will, in turn, buy of us. We are not infallible; so, altogether naturally, out of the many things we buy only a small percentage of the goods will be in large demand.

It is this large demand that provides our greatest total profits. It is curious but true that often merchants are so stocked up with purchases which have not been planned under the Model Stock Plan that they find their shelves clogged with goods which do not give a fast enough rate of turnover; and their shelves are short of goods they are not able to buy without still further overstocking. Often the stock is too large to leave any hope of final profit. So the buyer is not able to buy soon enough or in adequate quantities to replace the most desirable goods that customers have already bought out of his stock.

Our real purpose in all planning is to buy large quantities of the goods on which we expect a rapid turnover. If we do not accurately plan our buying, we are likely to buy too much at the time when we should be merely trying to find out which way demand is really going to set in.

It all gets back to our basic definition of the function of distribution, that it consists of buying *for* the customer. Planning under the Model Stock Plan, as we have already seen, consists essentially of finding out what customers want—perhaps before they themselves know—and then devising means to give them these goods at prices they are willing to pay. This kind of planning ahead requires thorough preparation. The buyer or merchant who would do it successfully must look carefully into such questions as the coming styles—in a line where style is important—the new types of articles, the possibility of scarcity of favored materials, fluctuations in demand, and all other factors in market conditions. He must, of course, be familiar with the statistics of previous years, stock summaries, sales, and so on, though often using them only as a *first, rough basis* for his planning for the coming period. All this information he

needs before he can make a plan that will be of real service to him. The mere fact that he gains a complete grasp of these preliminaries before he buys a dollar's worth of goods, even if he goes no further, must bring him greater total profits.

This planning, coupled with the results of buying to sell at the three full-line prices, leads the merchant straight to the merchandise which he can sell in large volume. Then, as he takes advantage of the consequent opportunities of dealing with mass-production resources, he attains mass distribution with its elimination of wastes all the way to the consumer.

Buying along these lines is more immediately profitable to the store through having the right stocks on hand when they are needed. Also, it helps to get at the root of a serious distribution-production waste by helping manufacturers do away with seasonal production—supplanting this by all-year-round production and thus helping to hold down factory costs, maintain a more experienced force of employees, and bring about other improvements that go far in eliminating wastes. In fact, a major advantage of the Model Stock Plan is, as we have seen in the preceding chapter, that it helps us to understand better the conditions of manufacturers' stocks and the opportunities of getting from present resources the right goods to satisfy customers' demands; it helps us to find out when the manufacturers are likely to have a lot of stock on hand, whether they are likely to make price reductions, whether they are closing out soon, and so on. It substitutes for opinion and "inspiration" an orderly, definite way of thinking about buying.

Let us keep clearly in mind that when we speak of understanding the conditions of manufacturers' stocks we do not intend to use such information as a means to browbeat the manufacturer out of his legitimate profit. No buy is a good buy unless it is profitable to the producer as well as to the buyer. Only when the producer makes money can we expect him to keep on improving his styles and his values and his production facilities. In fact, it is only by making money that he can remain in business and continue supplying

us with better and better goods on which we can make the greatest total profits.

What we want is to cooperate sincerely with the producer to help him eliminate the major wastes of production so that we, and through us our customers, may share in what he saves. We distinctly do not want to buy under conditions that needlessly handicap him. Nor should we, on the other hand, encourage a manufacturing condition that is basically wrong.

The way that the three full-line prices of the Model Stock Plan fit into this program has been explained in considerable detail in preceding chapters. Briefly, when the price that a buyer can pay for goods is set by the Model Stock Plan, we must bear in mind that the buyer may pay any price that he wants to, as an experimental first purchase, even up to the full retail price of the item, rather than pass it up or try to sell it at an in-between price. If then he finds that the goods so obtained have a real appeal to his customers at a full-line price, he can work with the manufacturer, over a reasonable period, to reduce its cost; for example, by giving large orders for production in the producer's dull season, it is usually possible to get the item down to a cost on which the store can make a profit and which, at the same time, is fair to the producer.

It will pay any buyer to think through—and put down on paper—the advantages and disadvantages of various types of resources: manufacturing by the store itself; local manufacturers, if we are not located in a central market; local jobbers; large manufacturers in central markets; large-city jobbers; country manufacturers; mill agents; and the big commission houses. The subject is one that any intelligent buyer knows about, if he will stop to think it out, and it does not deserve the considerable space that it would require if we were to treat it in this book. We must study our resources constantly and know where the strength of each one lies. The price we have to pay for having good resources is eternal vigilance.

One of the most important and least understood phases of merchandising is the advantage that comes from active

competition. Most business men give lip service to the generality that competition is the life of trade. But if almost any one of these men were given the opportunity to wipe out all of his direct competition—the firms doing exactly his kind of business with the same general buying public—he would do so unless prevented by his scruples for the losses it would cause to his friends in the trade.

As a matter of fact, I know of no instance where honest competition is not directly profitable to all able firms in the field. This is certainly true in retailing. We should welcome the strongest, best competition. The reason is simple: practically all the best records, whether in business or sport, are made against strong runners-up. If someone is directly in competition with us, making us extend ourselves to the utmost to excel him, we shall achieve more than if we have the field to ourselves.

Our store is helped, not hurt, by the success of our competitors. If we are inclined to doubt this, to regard it as impractical preachment, we can clear our minds by studying just how much of the possible volume goes to a different part of the town. Competing neighbors help draw trade to our vicinity. We should try to find out how much trade goes to stores in other towns which may be larger trading centers. Good local stores get our neighbors into the habit of trading at home. We know that even in the very large cities, a substantial slice of trade goes to the mail-order houses. If we and our competitors have good enough stores, people will not have doubts about getting good values in our stores. In brief, if we once appreciate how much business might be drawn into the one group of stores that is composed of our own and our competitors', we shall come to understand how it is that good hard competition is a distinct benefit to us and to our total profits.

A corollary to this is that if we make our own store the outstanding store of our community, we shall benefit even more than proportionately by this general increase of retail business done locally. Here is where the Model Stock Plan comes into the picture, for it will surely make our store

a leader, and if competitors do not adopt it, make our store *the* leader.

For instance, if our store were still operated along traditional lines, we should expect that when customers cannot find in one section what they want, they will go to a rival store. But if we can teach them that we are likely to have it in another section, we get another chance at the sale. For example, if it is not in the cheapest full line, they may go to the basement and find something to suit their requirements. If it is not in the highest-priced full line, they may find it in the de luxe department.

Ordinarily, in a good-sized department store one buyer buys all the goods of a given sort at all the price levels of that store. We have already touched on the advantage that comes to both the store and the buyers through subdividing the buying so that instead of having one general buyer spreading his attention over a whole field, we have under the general buyer three experts each of whom buys for only one selling price.

This sets up a direct competition within the store, a competition which is just as helpful and profitable as is good brisk competition outside. It is, in fact, more profitable, since with all the competition under our one roof we get the benefit of all the additional sales volume that this internal competition stimulates.

It is perfectly clear that the buyer for the cheapest full line will, if he is ambitious, make extraordinary efforts to get into his buying price range some of the most desirable goods in the best-selling line. The basement buyer will meanwhile be searching for ways to bring some of the cheapest full-line goods, which now he can only get when a distress lot comes on the market, into his stock. The best-selling full-line buyer is aiming for goods in the highest-priced line. The highest-priced full-line buyer is hot on the trail of merchandise in the de luxe department. And the de luxe buyer, with no restrictions on his prices, is out scouring the markets to get the very latest and most exclusive merchandise for his high-income customers, but he must get goods that his

customers will not find in the highest-priced full line. The impulse that starts at the top with the de luxe buyer eventually works all the way down to the basement store. Is it any wonder that a store like this can honestly advertise that it has an entire stock of bargains?

No data are sufficient, on the present meager experience, to predict how immense will be these advantages to the store. But it is perfectly possible to foretell major advantages to the men and women who, before this plan is put to work, are buyers for the whole department.[1] Many of them, under this arrangement, will become division merchandise managers supervising the buyers in charge of each of the three full lines. And of course, in this position, the former department buyer will encourage the competition between his subdepartments. Any interference with this inside competition, such as trying to limit one full-line buyer from getting the very best in values regardless of how effectively they compete with the line next above his own, would be suicidal to the effectiveness of the plan.

The Model Stock Plan, simply but definitely carried out in a large store, brings into each department this helpful competition. The result is incomparably better values all through the store.

In fact, I have had definitely in mind the possibility of creating a chain of department stores operated on the Model Stock Plan throughout. The buying of each class of goods constituting a full line at one of the three prices will be in the hands of a separate buyer, who will be responsible for that department in each and every store of the chain. This will, then, be essentially a chain of department stores, every department of which is itself part of a chain. It will be essentially chains within a chain. And with each of these buyers concentrating his energies and ambitions on a single

[1] As we have seen in Chaps. V and VI, buying for the basement store and the de luxe departments should not be, in any event, under the control of full-line buyers. To permit such a condition would destroy the effectiveness and profit possibilities of these sections as separate entities within the Model Stock store, as well as diminish the concentration and total profits of the three full-line buyers.

line at a single price, the chain will build a stock against which not even the most competent and sophisticated of general buyers could profitably compete.

If 10 years ago such a group of stores as those composing the Retail Research Association had adopted the Model Stock Plan and coupled with it their group buying—to which, as has already been pointed out, the three full-line prices are an indispensable aid by avoiding the difficulty of agreeing on price levels—it would have been, in effect, just such a chain, although voluntary, instead of centrally owned. By the enormous buying power that would have developed, for these stores did in 1929 a total sales volume of hundreds of millions of dollars, distribution would have been revolutionized. It would have compelled the creation and extension of competing chains of the same kind. Out of this trend there would have come a development altogether different from anything in our experience. These great chains of department stores operating by the Model Stock Plan would, I am convinced, have prevented much of the extraordinarily rapid growth of the chains during this period. Likewise, the sales volume of this highly successful group of department stores would be today enormously greater than it is.

The growth of the chains during recent years, chains both of small stores and large stores, single-line chains and department-store chains, foreshadows one important development that must come very soon. The other developments in distribution now going on point in the same direction. The most effective buying methods of the almost immediate future will be those which combine with skilfully planned buying the power of combined purchasing with other stores, or mass buying. The Model Stock Plan possesses the advantage, among others, that its adoption brings about a type of organization and method of operation which eminently fits the store to take its place in group buying, whether of a voluntary or centrally owned chain and to derive the maximum benefit from it.

CHAPTER XII

PUBLICITY THAT MEETS AND BEATS COMPETITION

Substituting facts for opinions in publicity. Rules for success in advertising. What we have to advertise. The functions of newspaper advertising, windows, interior display. Publicity to make complete stocks profitable. The best-paying "copy appeal." Advertising to beat the chains. How this brings in new customers. Improving the windows. Interior displays that ring the cash register. Drawing customers to other departments and other floors. Publicity that fits the selling calendar. The serious, costly defects in current practices of retail advertising. "Bargain" and "sale" advertising that drives trade to competitors and helps chain competition. Where Woolworth's erred. Teaching customers that all of our goods are bargains all the time.

PUBLICITY under the currently accepted merchandising methods has usually been profitable, although largely based on opinion. But epoch-making changes are taking place in production. In consequence, these changes are rapidly and definitely coming in distribution, also, and must now come still more rapidly. They will profoundly affect advertising, window and interior displays, and other forms of business publicity.

Opinion is no longer a safe or adequate foundation for publicity in a successful business. Research is the basis of all of the most successful production. Likewise, the time has come when successful distribution must substitute for opinion facts based on careful research.

In no better way than through the use of fact-based publicity can an increase in total profits in the field of distribution be made. The Model Stock Plan offers the simplest, most effective method of substituting facts for opinions in publicity.

Under usual methods of merchandising the goods advertised are most often priced without the best definite relation to the rest of the stocks. By Model Stock Plan methods

every advertisement, even of special or mark-down lots, draws trade to a complete stock at the same price, so that advertising any goods—even goods which are themselves unprofitable because marked down—will almost always be found to result in an immediate net profit.

Publicity under the Model Stock Plan yields greater profits to the store because under this system it is part of the system itself and is carefully worked out to be most effective with the planning, buying, and selling of the stocks it advertises. At the same time it increases the goodwill value of the store because it performs a greater service to the customer.

We shall, therefore, as Model Stock Plan stores, use advertising more freely than other kinds of stores can afford to. It will bring us incomparably greater proportionate returns in sales volume. For the Model Stock Plan advertising will not only draw to the immediate goods advertised but, of necessity, will also emphasize that it pays the customer to trade with the Model Stock Plan store every day, because the whole stock has been scientifically built up by a new and better method of selection to have extraordinary completeness, extraordinary style, and extraordinary price values.

"Publicity," as the term is used in this book, includes:

1. Paid[1] advertising in newspapers and other media.
2. Window display.
3. Interior store display.

Much store advertising today is handled illogically from the standpoint of goodwill and, therefore, contrary to the fundamental rules that bring the greatest total profits. Probably the blame for this belongs to the unscientific merchandising methods upon which the advertising is based. Store advertising can hardly be expected to exceed the efficiency of the distribution technique of which it is a part. It is this lack of full effectiveness of much store advertising that has permitted the chain stores to make such rapid

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[1] We are not considering any forms of so-called "free" publicity, for these should not and do not fit into the proper functioning of the Model Stock Plan.

progress with comparatively little advertising.[1] And, too, where the goods and values are not right, ineffective advertising is probably less harmful than is effective advertising. Really effective advertising that sells customers merchandise they should not buy is one of the surest ways to reduce goodwill and, consequently, total profits.

Several times during recent years I have set forth in talks to business men and in articles what I regard as the basic rules for success in advertising, whether in advertising a store or a manufacturer's product or anything else. Because they fit into the subject of this chapter, they will bear repetition here:

Rules for Success in Advertising

1. Advertise largely and courageously the things the people want and will be helped by owning.
2. Tell the exact truth in your advertisements, being sure to understate rather than overstate the good qualities of your products.
3. Do not lie. If a man must lie, let him do it without advertising his iniquity.
4. If you do not sell great quantities by this method, then improve the value of what you are advertising until it is more surely the best value in the market.
5. If you do not then sell greater quantities in this way, advertise still more courageously.
6. The greatest business successes of the next 10 years are going to be the business men who are at the same time the most truthful and the most courageous big advertisers.

What has the Model Stock store to offer to its customers in advantages that tie in with the six rules for success in advertising? Suppose we list them:

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[1] It is notable that many national chains of stores are now adopting national and local advertising and presumably finding it profitable, since they are increasing their expenditures. Of course, local chains, such as many grocery chains confined to compact areas, have been advertising generously—and profitably—for many years.

1. The three full-line prices at levels that most customers are most willing to pay; buying goods to these fixed selling prices assures giving customers exceptional values at each price level.[1]

2. Real completeness of stocks at each price level.

3. Better values of every article throughout the stock, because of a better way of definitely comparing the entire stock with tested standards of best values.

4. Better styles at more popular prices.

5. Staples at lower prices; the merchandise the customers want and will be helped by owning.

6. Fresher stocks, due to fast rate of turnover.

7. Mark-downs invariably to the next lower full-line price, thus drawing to complete stocks at the same price.

These are the great gains to publicity with the Model Stock Plan. No other business activity is so completely the victim of personal opinion as is most advertising, and this despite statistics which are usually compiled as to the presumable results of the advertising. What is needed is a better substitute for personal opinion in advertising. In the Model Stock Plan we find a simple, easily understood, and easily handled method of substituting facts for opinions in advertising, both as to the quantity of advertising which will yield the greatest total profits and as to the arguments—or "copy appeal," to use the advertising jargon—which will prove most convincing to the public at all times, because every advertisement will be supported by a complete stock at the advertised price level.

This is how the three major forms of store publicity perform their principal functions:

[1] As we have already seen at a great many different points in this book, this very process of buying to sell at fixed prices is the same force that has compelled Woolworth, Chevrolet, and Ford to be so successful in reaching mass-distribution levels with their goods. Buying to a fixed price strengthens the whole buying process. When Ford or Chevrolet sets about producing a new car, the whole operation starts from the predetermined price which it is known will sell the car in mass quantities. Starting from the price of the finished article sets the price that can be paid for each component part. Then the producer has to devise some means of manufacturing the part profitably, fully up to the specifications required, at the price that has been predetermined as the outside limit.

1. Newspaper advertising makes people set out with the intention of coming to our store.

2. Competitors are bringing to the retail district other people who intend to go to their stores. When these people pass our windows, we get an extra opportunity to divert them from their original intention and so bring them into our store.

3. Whether customers are brought in by our newspaper advertising or our window displays, or whether they come in of their own initiative to make purchases or to shop, we have the problem of bringing them to the point of looking at the merchandise in the departments. This is where interior display has its opportunity to make the sales and also to suggest still other items to the customers. Obviously, we cannot afford to slight the interior display. Yet, in general, because its full importance seems somehow to have impressed most merchants insufficiently and it is, therefore, not under the control of a single competent display expert, it is, as a whole, far less effective than newspaper advertising or window display.

It takes equally good window display and interior store display added to good newspaper advertising to make the greatest total profits for our store. In other words, a well-rounded use of publicity. While it is generally accepted that window display and interior display are valuable, we do not yet know the true greatness of their value, for the scientific investigation of the most effective methods and principles of display is just now getting well started under the direction of the more competent display executives.

In previous chapters we have seen that the size of the Model Stock can be mathematically determined. *Multiplying the departmental stock units by the required rates of turnover gives us, therefore, the volume of annual sales required to maintain the Model Stock and yield us the greatest total profit.*

It is childish to keep our stocks too small because we are not selling enough to make larger, adequate stocks turn profitably. This only results in a whole crop of failures to sell. By applying sounder selling methods, which in large measure

mean more complete stocks and better advertising, we right the failure to sell, we attain the required volume of annual sales, and solve the whole problem along with it.

This does not, of course, mean that we can use a formula to determine how much advertising we must do under the Model Stock Plan to attain a given volume, but there must be enough effective advertising to turn complete stocks a profitable number of times. This figure must vary with the individual business, with the line of business, with the strength of the local and neighboring competition, with our own store's relative standing in our city or town. In advance we can feel sure of just one set of facts:

1. Under the Model Stock Plan our advertising will be more effective than ever before, because for the first time it is based on definite facts and standards that lead to the greatest practically possible results from advertising.

2. It will be more effective than that of competitors who are operating on opinion instead of on facts.

3. For the first few months after we adopt the Model Stock Plan and go hard after a larger sales volume, our advertising may be less effective than it will be by the time customers have learned that every day is bargain day in styles as well as prices all through our store.

Under the Model Stock Plan we make greater total profits through cooperating with our customers by offering them the goods they want at the prices they are most willing to pay. And as we have seen, the one best way to attain the greatest total profits and the most rapid sound growth over a period of time is by increasing the goodwill of the public toward our store.

We also know that, assuming at least equally good style and taste and general quality in our complete stock of goods, price is the determining factor in building goodwill. People want complete stocks of attractive merchandise to choose from. But the greatest number of customers will not continue to trade with a store where they find they have to pay higher—even just a little higher—for the privilege. Complete stocks and good values, then, have the strongest appeal

of anything we may put into our advertising to sell goods to the great mass of customers.

Perhaps you are ready to object: "But how does this idea differ from the currently accepted methods of advertising; isn't this exactly what every store except the de luxe shop is doing?"

It is, within limitations. The limitations make the present general type of retail advertising too often weak and ineffective, even though the newspaper advertising is, after the store itself and its goods and merchandising policies, our most valuable force for bringing customers into the store. Before we start to point out the defects in the kind of advertising that is now prevalent, suppose we have a look at what we propose to substitute for it.

The most effective advertising in the future is going to be that which will make the public understand that all the values in our complete stock are bargains, that every day is bargain day in styles as well as prices all through the store. Obviously, we cannot specifically advertise every day every kind of merchandise that we have in our store, mentioning it by name, description, and price. The only type of retail institution that has found a way to advertise profitably in this way is the mail-order house, and it can afford to get out its advertisement, its catalogue, only twice a year.

What we must do, then, is to advertise in a way that will carry the fact that we have thoroughly complete assortments and unusually good values at all times throughout our store. We must particularly do something that will teach customers that all of our prices and styles are so carefully compared with our BB's, and through shopping the BB's are so carefully compared with all competitors' prices, that not only those which are advertised today but, almost without exception, all of our prices and styles are right.[1] If we can convince them of this fact—and since we are operating under the Model Stock Plan according to the principles explained in preceding pages of this book, this *is* fact and in no sense an

[1] For a complete explanation of this method of comparing all goods with BB's and comparing BB's with competitors' stocks, see Chap. III, p. 46.

overstatement—it stands to reason that all of our publicity efforts, newspaper, windows, interior displays, will be far more effective than ever before.

The general theme of our advertising, then, is that our goods are selected and bought by a method of intensive comparison that makes the entire stock right in price and style and equally good values throughout. The goods are offered in very complete stocks, every item of which must, under our system, be an unusually good value. This is something that the average store does not do, unless it is run under the same system as ours. Moreover, most of our goods are at prices that are lower than elsewhere.[1] We shall point out to customers that they constantly find in our three full lines goods which, in any store lacking the Model Stock Plan, would have to be priced much higher; for our method forces us to get these higher-priced articles into a full line, otherwise we cannot carry them. Of course, as we have occasion to announce new styles or exceptional values due to mark-downs, we shall do so by advertising prices that will draw customers to the complete stocks of one of the three full lines. In all of our advertising we must never overlook the definite value to the customer, as well as to the store, of the Model Stock Plan result that sets up an attractive, complete line of merchandise at fixed prices that customers are most willing to pay. Through all of our advertising will run the idea that every value in our store is exceptional.

We shall find it profitable to educate our customers to understand the elementary facts of the Model Stock Plan already enumerated. As people read our advertising and observe in their dealings with us the workings of the Model Stock Plan principles, they will become, at least superficially, familiar with the reasons why they can count on more complete assortments and better values in our store than in any store where the Model Stock Plan is not in use. The sooner we get the public to understand these facts the better for us.

[1] The publicity appeal of our de luxe departments and our basement store, as we have already seen in Chaps. V and VI, will have to be a little different.

The time is coming reasonably soon when the department-store chains and voluntary chains of individual stores will use the Model Stock Plan intensively. They will be forced to it, because the single-line chains will eventually begin to advertise that on account of their concentration on single lines they can give customers better values. Then the other centralized chains and the voluntary chains will have to show that by their organization they are just as effectively concentrated on each single line as are the single-line chains. These other chains will advertise, too, the advantage to the customer of being able to find in their complete stocks not only as good values as, or better values than the goods that the single-line chains offer but also complete stocks at equally attractive prices of the same kind of goods at other standardized prices and in every desirable style.

The eventual outcome will probably be that the single-line chains will get together and will do business in what are essentially department-store buildings.[1] The exceptions, of course, will be those single-line chains such as chain groceries, which do practically all their business in convenience goods best adapted to small stores in neighborhood trading centers.

Our purpose in following our declared advertising policy is definite. We shall strengthen the conviction of our regular customers that ours is the best store in town for them to trade with. Our prices and our complete stocks of wanted merchandise will stand squarely behind our claim. No stores have yet been able to advertise truthfully that all of their stocks every day have the right styles at the right prices.

Our advertising will, it is plain, often be distinctly of the kind known as "institutional" advertising as contrasted with advertising intended to make sales only of the merchandise mentioned in the advertising. Under the Model Stock Plan even our price or special novelty and style goods advertising will, in effect, be institutional advertising resulting

[1] See also Chapter XI, p. 162.

in building goodwill, in teaching customers that it pays them to go past other stores to trade with us. We know that goodwill is so valuable that it can ordinarily be sold at a greater price than all the tangible assets of a going business. The reason it is so valuable is, of course, that goodwill makes it possible to earn total profits far in excess of ordinary interest on the investment in business and it does this by bringing in customers for the goods that are not advertised.

All the foregoing simply means that whatever advertising we do, even of special lots, results in placing *the emphasis both directly and indirectly on the merchandising method that offers our customers every article in stock at such good values, such general excellence of style and quality, in such complete assortments.*

But what of the customer who regularly does the bulk of her shopping at another store, or at other stores?

Sooner or later she is unable to find in her favorite store or stores some article which she distinctly desires. If our advertising has been handled well, she will think of our store; she is familiar with our claims that we carry the most complete stocks at the lowest prices. When she comes to our store, she finds conditions exactly as we have represented them in our advertisements. She finds complete assortments at the prices she is willing to pay, more complete assortments than she has ever thought she could possibly find in any store. Very probably we succeed in adding her then and there to our group of regular customers. But if not, we shall eventually get her trade, for she will repeat the occurrence often enough, through the failure of our competitors to meet her needs, so that experience will convince her.

Of course, our advertising and our merchandising methods are not going to bring us all the retail trade in our city. Many customers will be attracted by advertisements of our competitors. And when they come to the retail district to shop at competitors' stores, their routes will lead many of them past our store. Here we have one more opportunity to impress them with the desirability of our stocks; our window displays are our publicity tool for this purpose.

While much of the window display work is now good and has been good in the past, here, too, personal opinion has ruled just as it has in other publicity. Without detracting in the least from all of the good work already done in this field, it is certain that our knowledge of how to increase our total profits through window display is still in its pioneer stage. We can add materially to the effectiveness of our window displays by using the Model Stock Plan methods, which are based on scientific facts. If our window displays are sufficiently skilful and effective, they draw into our store many shoppers who otherwise might not come in.

Many a customer, walking past the store, sees in the window something that she wants. Then she goes to the department, examines the article, and perhaps purchases it. Or a window display reminds her of something similar so that she goes to the department in search of it.

In general, our windows can do their most profitable work by advertising the same kind of merchandise our competitors are advertising. The other stores are bringing a large number of people, intent on buying, past our windows. It is our business, if possible, to stop them. Ordinarily, thousands of customers go past a big store. The buyers and the management will be satisfied if they sell a comparatively few pieces. When this happens, something is wrong: the price or the goods or the display.

We must make sure that the results of our window displays are checked back to see just how effective they are. Most stores check back to find what sales they have made through newspaper advertising and at least the percentage of the total advertising expense as compared with the total sales of the store. In the window display it is not usually possible to know exactly which sales are made directly by the windows, nor exactly what it has cost per sale. A good many stores do not even charge rent against a selling department for the windows it uses. But even when window rent is charged, as it is in many of the most successful stores, the checking back of results is a good deal of guesswork.

The Model Stock Plan takes much of the guesswork out of such checking, for each article displayed in a window is part of a full line in the department's stock. So when we use the Model Stock Plan, even though the window may not have a price in it, we can check it back by ascertaining the total sales of the Model Stock line that it represents.

Of course, all of our publicity is important, as it shapes the whole impression that customers get of the business. And, of course, this is particularly true of windows. What we show in our windows will be partly styles above the highest price line, in accordance with the principle of not letting our competitors put on more "front" than we do and also to give our de luxe departments a chance. But our best and most profitable results from our windows will be when all of our windows give the impression of extraordinary completeness at the three prices, the completeness made possible by the Model Stock Plan. If we have any trouble in comprehending this, we can easily get the idea by trying to analyze the impression made on us by Woolworth's windows, or Grant's, or even those of the single-price shoe stores. Our windows can make a similar impression of unusual values and unusual completeness if properly handled; but the strength and value of the impression can be tremendously increased because higher-priced goods give us so much more latitude than do lower-priced goods.

There should be no haphazard showing of bargains in our windows, even if it is true that the bargain in itself would sell goods. Goods should be shown according to the Model Stock Plan and its calendar requirements, not the right goods at the wrong time. Of course, no store or window display man intends to show goods at the wrong time. The Model Stock Plan helps attain better results because it gives both the executive and window display men definite rules and measurements by which to avoid the common errors in this respect.

A window may show goods marked so attractively that it will sell a large volume of these goods. But this may not be and, probably, is not the best use of that window. It may be

positively harmful. If at the very beginning of a season the window display covered bargain lots of the cheapest full line or the best-selling full line, it would be a mistake. Everyone will admit that if in order to get the immediate dollar we show cheap goods at the wrong time, we shall have to take greater losses on our style goods. A cheap display at the beginning of a season keeps away from our store those people who want the best in styles and quality. And let me point out that while many of the merchants and buyers who will read this book are not primarily concerned with style, even staples are now adopting style. The Model Stock Plan is, of course, equally effective with staples or style goods. Styles are emphasized throughout the book because they are more difficult to handle profitably.

It is clear that Model Stock Plan publicity gets the customer into the store. Here we come to the fundamental difference between a window display and an interior display. A window's chief job is to bring the customer into the store; an interior display's job is actually to sell her the goods. Once we have the customer inside the store, the interior display becomes of supreme importance. Here, again, personal opinion has in the past had too much power.

The reason personal opinion has had an even more harmful influence on interior display than on window display and newspaper advertising is that in most stores there has been little or no specialized expert guidance. As we have already said, interior display deserves the full-time attention of one or more specialists. In general, the salespeople in a selling department are entrusted with a great deal of the interior display. The fallacy of going at it in this haphazard way must be apparent when we recognize that a much greater percentage of the customers who get to the point of seeing our interior display are actually ready to buy than of those who are interested merely to the point of stopping before our windows to see the window display—and any enterprising retailer devotes a great deal of thought and frequently a good deal of money to making his windows effective. You see, this is what has happened: The possible customers have

been sifted once by newspaper advertising, again by the window displays, and then they come into the store. Now, when they are developed almost to the point of buying, we must take proper steps to convert as many as possible of these shoppers into actual purchasers.

Because personal opinion in the field of interior display has had altogether too much weight, and because interior display has such valuable possibilities for converting shoppers into customers, there is a tremendous opportunity for increased profits by finding some definite basis from which we can derive the rules of interior display that brings the greatest total profits. Once we are able to keep track of its effectiveness and keep our interior display in close conformity to the Model Stock Plan, we know it will sell more goods than ever before.

Of course, all experienced merchants realize that interior display has great value. The chain stores especially have utilized this selling force to great advantage. The chains study their displays scientifically, which means that they get the facts if large displays are made and, subsequently, check up on the results. In many of the chain organizations when a display is more than ordinarily profitable, they study it especially and make the method the common property of all their stores.

As we know, most customers come into the store for one particular article or for a predetermined list of articles. It is our problem to present these articles so that their desirable qualities will appeal to the customer, but also our display needs to serve as a reminder of other articles that the customer will be benefited by owning. The Model Stock Plan greatly strengthens all of our interior display: the price display; the style display; the advertising display on the first floor for the upstairs departments; and the display on all of the other floors for the departments that are not on that floor. One of the most successful stores in the world pays as much attention to its upper floor interior display as is given by most stores to their window display; this store finds it profitable to employ for each floor special display experts.

Under the Model Stock Plan the interior display becomes much more important and much more effective than under traditional methods of merchandising. One way in which it is particularly effective is to devote one end of the counter to the display and sale of the BB and the MP, with people there who do nothing else but sell these articles. Every effort should be made to make the display of the rest of the line, immediately adjoining it, so attractive that people who are stopped by the BB's and the MP's will want to see the rest of the line.

By this method, as customers go through the main aisles, they keep seeing our most carefully shopped and compared regular values; all the time they are in an atmosphere of extraordinary value in price and style,[1] which has a directly beneficial effect on our goodwill.

The selling calendar[2] shows us definitely how best to apply all of our selling emphasis, including newspaper publicity, at that time for each of the full lines, in turn, which yields the greatest total profit results. It is plain that we should handle our interior display accordingly. It would be as serious a mistake to display prominently the cheapest full-line goods at the outset of a new style season as it would be to feature them in the newspaper advertising.

In general, however, it will pay us, at least in the early part of the season, to give the highest-priced full line the best part of the counter, with salespeople who sell nothing but this. If our store is large enough to make it possible, we should also segregate the two other price lines. Then we let all three compete against one another, as has been previously explained.[3]

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[1] This atmosphere of extraordinary full-line price and style values will be due especially to the fact that the BB's and MP's are shopped and compared far more exhaustively than the other items in our stocks, since the BB's are our yardsticks of value for measuring all the other items in their respective full lines. We may make mistakes in some of our values from time to time, for, of course, none of us is infallible. But whenever there occurs an error in value, it is least likely to occur in a BB or an MP.

[2] Chapter IX, p. 121.

[3] Chapter XI, p. 161.

As part of our regular interior display we may need to have a reasonably permanent place for the display of de luxe department merchandise in the full-line departments handling the same class of goods. Thus the customer who buys highest-quality goods elsewhere is directed to the place in our store where she can get as fine and as exclusive articles as any de luxe store can offer her, and at great savings.

We can also make greater total profits for our Model Stock store by using some of the main-floor display space for interior displays of goods from upstairs departments. If in this way we tell customers effectively enough that there are unusually attractive goods upstairs, they will go upstairs. Thus we draw customers to the complete stocks on upper floors by effective displays on the first floor.

It is to be remembered that the Model Stock Plan's principles lead us to avoid harming our store by displaying on the first floor cheap goods which are trashy or in bad taste and which constantly keep customers from going to the upper floors for the finer goods for which they may have come; likewise, we must avoid displaying goods whose main or only virtue is cheapness in the aisles and departments that customers must pass on their way to the other departments where the finer goods are sold. This does not mean that it is harmful to show extraordinary values. But, particularly at the beginning of the season, these extraordinary values should not be something that the department buyer merely happens to buy as a bargain. He must make it his business at that time to do a creative job of obtaining goods that will be real bargains in his highest-priced full line.

We recognize in the downstairs display of merchandise from upstairs departments an inherent part of the Model Stock Plan, because it is an effective means of reminding customers how complete a stock we carry. Much the same idea—good circumstantial evidence that such displays are effective—is seen in the lobby displays of merchandise for upstairs shops in buildings given over to such shops. Also, many hotel lobbies and corridors have interior displays for shops in the hotel building. In Europe, and to a less degree

in the United States, the higher-grade hotels have display cases from outside shops; the shops are glad to pay high prices for these displays. The Hotel Ritz, in Paris, has a very long corridor with cases and samples and salespeople. Certainly if such displays are profitable, downstairs displays of our own upstairs departments will be far more effective.

If we are to use interior display in this way throughout our store in order to permit the Model Stock Plan to yield its greatest total profits, we should value all interior display space and charge the department for it just as newspapers charge for their space and many department stores charge for their window space.

While we are on the subject of interior store display, let me call attention to a means it offers of strengthening our Model Stock Plan advertising message. In every department we should have posted prominently, so that the customers and salespeople cannot miss them, two vital messages:

1. You can, as a rule, find extraordinarily desirable styles and desirable materials in each of our three price lines.

2. Practically all of our goods are at all times better values than can be found in stores not operated on the Model Stock Plan.

Repeatedly we have said, in general terms, that there are manifestly serious, costly defects in current practices of retail advertising. It is time that we support these assertions with something specific.

Of course, not all of the current retail advertising is defective. Some stores have built much of their goodwill through good advertising backed by the goods, the prices, the service they offer their customers. But the drawing power of any good advertising is seriously impaired if the store also uses advertising that is basically wrong, even if such advertising is commonly used by its competitors. Almost every good-sized store that I have studied in this respect uses at least some demonstrably wrong advertising.

Usually it is bargain advertising that goes directly contrary to the principles of sound merchandising for the greatest total profit. How does bargain advertising so often merit

such an indictment? Essentially, because it teaches the customer that whenever she can possibly wait to make a purchase she should do so, until some store advertises a "bargain" or "sale" on this article. Then she goes to that store and buys at a reduced price. In other words, bargain advertising leads the customer away from buying the store's regular stock at regular prices. It tends to teach her to come to a store only when it offers a special sale of merchandise that she needs. Inasmuch as the bulk of our yearly sales must come from goods that are not especially advertised, this is manifestly injurious.

It should not be good business—and it is not—for us merchants to spend enormous sums of money to teach customers to buy only when bargains are advertised and not to teach them that all of our stocks are tested good values. Of course, we merchants as a group do not believe that that is the result of our advertising, but much of our traditional advertising will be found upon examination to give just these unprofitable results.

We have built, and properly continue to build, among our customers the habit of looking through the newspapers for our advertisements. Where we get off the road that leads to greatest total profits is by teaching them to look for *bargain advertisements*, which means that we are advertising "for today" or "for this week" instead of striving to build the goodwill which, over a long period, makes our store surely and steadily profitable. As we know, no store can advertise all of its merchandise every day. By bargain advertising we have developed in our customers a buying habit that teaches them not to come to our store most of the time; and this in the face of our avowed purpose of getting customers into the habit of going past other stores to trade with us. Of course, our bargain advertising teaches them to come to our store, today, instead of to other stores; but just as surely, it teaches them to go to another store, tomorrow, if it offers bargains in articles that we are not then advertising.

Every advertisement in which we tell the customer that goods which we have been selling for $1 can now be had for

75 or 50 cents tends to make the customer believe that our regular prices were too high or that something is wrong with the goods. (The only thing we might more effectively do to undermine customers' confidence in our regular prices would be to advertise that we shall sell our $1 goods "today only" or "this week only" for 75 or 50 cents.) Under the Model Stock Plan the marked-down goods, which make such attractive additions to the next lower full line, which is itself composed of carefully selected and attractive merchandise, must draw trade to this line. Then there is no need of any reference, in our advertising, to the fact that they are marked down. For if they were properly placed and good values at the higher full-line price, a description of their qualities and an offer to sell them at the next lower full-line price would be most convincing and have adequate drawing power.

Under the Model Stock Plan such basically weak advertising as "for today only" or "for this week only" is not called for; it is also contrary to all of the Model Stock Plan's principles. Such temporary bargain appeals are manifestly defects in any kind of advertising; but they are impossible under correct Model Stock Plan advertising.

Most merchants doing business along traditional lines of merchandising instead of by the Model Stock Plan firmly believe in the traditional style of retail advertising; otherwise they would not annually spend such great sums in using it. But this kind of advertising is profitable only because most of the other stores are doing little or no better. Let a Model Stock Plan store employ really strong advertising methods to back up its sound merchandising methods, and the disadvantages of the traditional advertising will be forcefully and painfully brought home to its competitors. No one of us could keep on using such weak methods unless our competitors were doing the same foolish things. Incidentally, of course, the more of unprofitable bargains a store offers the more surely must the rest of its prices be too high. The losses on unprofitable bargains must be made up elsewhere.

In the past this faulty advertising was not so important. In the pioneer stages of retail distribution rough methods were still effective. But this is no longer true. Powerful distribution organizations, soundly conceived and ably operated, are competing with all of us to a degree never known before. We can no longer expect to continue profitably in business if we use wasteful methods. While we go along in the old way of advertising, the chain stores are taking our established lines of merchandise away from us, one by one, on the basis of good values all through their stocks. Our fallacious ideas of how to advertise interfere with the profitable readjustment of our businesses, whether large or small, to these new, threatening conditions of competition. When we begin to advertise more ably under the Model Stock Plan, this new program will carry us along rapidly toward meeting this growing chain competition and toward greater total profits.

We agree, then, that the best advertising approach for our store is to create among customers an understanding that the Model Stock Plan is constantly at work to afford them the best values and the best styles in complete assortments of the goods they want at the prices they are most able and willing to pay. We must be careful not to allow any idea, no matter how it may glitter, to distract us from this basic conception of the proper advertising policy for our store.

We should be warned by the mistakes of other people who, having painstakingly built a substantial goodwill, allow themselves to be diverted to a shift that endangers their hard-won advantages. As this is written, the most recent and probably the most conspicuous instance of all time was Woolworth's advertising which appeared in national magazines of large circulation in 1929.

For years Woolworth's had been building up in the public consciousness a firm belief that every article offered for sale in Woolworth's stocks was exceptional value. Then, out of a clear sky, came a tremendous volume of advertising that in essence—though not, of course, in so many words—told

customers: on such and such dates you will be able to get some real bargains in our stores.

Woolworth's goodwill is so tremendous that it can withstand an occasional attack of this sort. But we must be careful to guard our store's advertising against any such lapses from the most profitable policy. To do it, even once, is questionable because it weakens the goodwill built up by our painstaking efforts. It is easier to break a reputation than to make it, just as it takes years to make a true friend but takes only seconds to make a bitter enemy.

We understand, now, how the publicity methods described in this chapter are an integral part of the Model Stock Plan. The Model Stock Plan tends to give our whole store a personality, a unity. People who deal with us get the true impression of complete stocks, built up by such a different method of comparison that every piece is equally good value and equally good style. We are operating our whole store in the way that will give every customer the most value per dollar spent with us.

Our use of publicity must have an important effect on this effort of ours. It is so important that we cannot afford to slight it in any way or do anything in our publicity that will impair the effectiveness of the Model Stock Plan. Properly applied, publicity will greatly help the Model Stock Plan to earn for our store the greatest total profits. If the reader of this book gets nothing more from it than a determination to study and improve his advertising, he will be well repaid.

CHAPTER XIII

MORE PROFITS FOR PRODUCERS AND DISTRIBUTORS

How producers are employing model stock plans of their own to increase their own and their customers' total profits. (1) Brown Durrell Company. (2) Gotham Silk Hosiery Company. (3) Six other silk hosiery manufacturers. (4) Cannon Manufacturing Company. (5) Royal Worcester Corset Company. (6) The Esmond Mills. (7) W. S. Libbey Company. (8) Wilson Brothers. (9) Coopers, Inc. (10) Eaton, Crane and Pike Company. (11) Maid-Rite Corporation. All of these plans are helpful but would bring far greater results if made to conform to Model Stock Plan principles for stores using Model Stock Plan.

THE Model Stock Plan was originally designed as a tool with which the retail merchant might do a better job and thereby earn greater total profits. Yet we know that it can yield the greatest returns to the retailer only as he induces his resources to apply to their manufacturing problems and processes the waste-saving principles of the plan.

This will be found a much easier task than might be supposed. As it happens, manufacturers are already attaining comparable results by approaching the problem from their own standpoint. This chapter is principally made up of examples showing how far producers have already gone in creating model stock plans of their own. Some of these have been remarkably successful. Most of them will be much more successful when they conform to the strong points of the Model Stock Plan as described in this book, when they are worked out to fit into the retailers' Model Stocks.

From using his own limited model stock plan, the manufacturer has already found definite advantages:

1. His dealers attain a more rapid rate of turnover and thereby earn greater total profits from handling his products. They, therefore, continue to trade with him and to do progressively larger sales volumes in his goods.

2. His dealers get, under his model stock plan, the immense advantage already shown that comes through standardization and simplification of prices. Through this price standardization his dealers' choice of goods is limited to style and material, with the question of price removed from the problem. Thus the manufacturer finds selling to his customers much easier.

3. The manufacturer attains the benefits of mass production and mass distribution of his products. These, coupled with other savings, such as decreased selling cost due to more surely keeping the dealers he has and getting new dealers more easily, assure the manufacturer more continuous profits and greater total profits.

None of these manufacturers' plans in use conforms exactly to the specifications of the Model Stock Plan. Such manufacturers' plans cannot conform exactly, for the Model Stock Plan that we have been examining all the way through this book is built up from its basic principles into a whole that fits the entire store. The store's Model Stock is, therefore, made up of Model Stocks in each department of the store. Naturally, the total result must fall far short of this when the store merely adopts, for instance, a hosiery manufacturer's limited plan that is designed for and directly applied only to the hosiery departments in the store. In fact, the manufacturer will greatly improve his own model stock plan and increase its total profit possibilities when he modifies it to conform with the Model Stock Plan of this book and to fit exactly into a store where the Model Stock Plan is in use.

The problem upon which a good many manufacturers concentrated was: What size and assortment of retail stock of our products will move most easily, steadily, and profitably, so that we can then supply the goods in small quantities immediately as they are sold, thereby improving the dealer's rate of turnover? If the manufacturer could find some satisfactory answer, both the producer and the retailer would make more money. The well-balanced retail stocks of live, salable merchandise would increase the dealer's sales and

total profits, and thus bind him still more firmly to the manufacturer responsible for this improvement. Each manufacturer helping his dealers to work out a successful version of a model stock plan would be able to standardize his production by having in his factory fewer straggling, poor-selling items and concentrating on the big sellers, because they are what retail customers want and, therefore, what retailers should provide for their customers.

It was all very sound, simple reasoning, and it has worked out as planned. The different industries in which these limited plans are being used indicate how widely applicable are the Model Stock Plan principles to varying classes of merchandise. Without further introduction, then, let us examine a number of these plans as they have been worked out in actual experience.

Case 1. Brown Durrell Company, Silk Hosiery Manufacturers

In 1929 the Brown Durrell Company, making Gordon Hosiery, modified and improved its lines of stockings on the basis of figures, obtained from life insurance companies, showing leg measurements of over 140,000 women. In general, silk stockings had previously been classed only by foot sizes. Now Brown Durrell Company, on the basis of these statistics, manufactures silk stockings in four leg sizes.[1]

The statistics show that 55 per cent of leg sizes are average, that is, they were taken care of by stockings as formerly manufactured; but the other 45 per cent were only partially provided for by the outsizes previously manufactured. This 45 per cent divides into 17 per cent small, which had been partially taken care of by misses sizes; 23 per cent tall, which had been partially taken care of by extra longs, "Long-fellows"; and 5 per cent of the heavy, husky type.

[1] In Chap. XVI, p. 235, we shall see how the Model Stock Plan provides for greater specialization within the store and, consequently, increased attention to the profit possibilities of this more intensive cultivation of service to customers whose requirements are "different" not only in respect to outsizes but also to such items as maternity wear, infants' first walking shoes, and so on. Brown Durrell Company's plan thus coincides exactly with the Model Stock Plan in this respect.

The Gordon Hosiery line, redesigned according to the life-insurance statistics, is the basis of a model stock which gives a dealer a complete stock for his entire group of customers, not merely, as was previously true of most lines, for only 55 per cent, or slightly more, of the customers.

The model stock is divided by resale prices at $1.50, $2.00, $2.50, $3.00, and $3.50.[1] Different size basic stocks were figured for typical stores in cities of different sizes. For instance, for a city of 200,000 or more, a stock costing $14,932 is priced to retail at $23,232 and amounts to 928 dozen, 472 dozen of which are in the $2 price range. For a city of 50,000, the stock of 496 dozen, of which 262 dozen are in the $2 range, total cost $7,963, is priced to retail at $12,390.

The store reorders whatever items are shown to be almost sold out. A card in each three-pair box of hosiery is packed where the saleswoman finds it on removing the second pair from the box. From these cards the order is made up in triplicate, two copies of which go to the manufacturer.

Case 2. Gotham Silk Hosiery Company, Manufacturers

Those hosiery manufacturers, who adjusted themselves to the new needs for swifter distribution to meet rapid changes in style, were the first to adopt model stocks of hosiery. Thus they insured the retailer getting goods not only in time, but also rightly balanced as to style, color, and size for the needs of his trade. Such stocks, of course, increase profits for producer and distributor.

Gotham Silk Hosiery Company's Automatic Reorder Plan has often been called by officials of the company and by others the hand-to-mouth method of distribution. To

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[1] Manufacturers' model stocks, prepared for stores which are not organized under the Model Stock Plan, cannot at this time be expected to go all the way to only three full-line prices. This will come ultimately, as experience with the plan and the spread of the Model Stock Plan make it inescapable. It is interesting to note how, in the Brown Durrell Company's model retail stocks, the best-selling full line at $2 constitutes more than half the total stock. Cannon Manufacturing Company, as we shall see on p. 190, has already adopted three full-line prices for part of its model stock.

quote from Roy E. Tilles, vice president and general manager of the company, by this plan it manufactures "daily, not monthly, to meet the direct and immediate demand placed upon the merchant by his customers and so runs no risk of large inventories and ultimate heavy losses." This is, of course, equally profitable to the merchant, for it leads straight toward one of the major goals of the Model Stock Plan: to provide the right goods, in the right quantities, at the right time, at the right prices.

Daily reports from 80 to 100 key stores on total sales and sales by color and style give the manufacturer a constantly corrected picture of retail sales in different parts of the country. It can, therefore, pass on to all dealers constructive suggestions about their individual store sales if these in any harmful way vary from the experience of the many reporting key stores. This service from the manufacturer to the store acts as an inducement for the store to use the automatic reorder plan.

Incidentally, of course, it is far more tactful to give the dealer this comparison with what other dealers are doing than it would be to base the criticism on the plan itself, for that would constitute asserting the manufacturer's own authority. It is extremely important that when a manufacturer adopts a model stock, he present it with real diplomacy and salesmanship. Otherwise, he is in danger of telling his dealers how to run their own businesses—something that few retailers relish from a producer.

Each item in the Gotham model stock is checked regularly just as soon as it gets low. Between the second and third pairs of the three pairs of stockings in a box is placed a gummed label which bears the style number, size, and color of the item in the box. When the saleswoman comes to this label, she fastens it on a stock sheet that goes to the factory as a reorder. Reorders are filled the same day if the sheet is received before 4 p.m. At the end of each month a sales analysis is made for the individual store; styles and colors that do not sell are withdrawn from the model stock and are replaced by fast-moving items. Retail rate of turnover has

been increased[1] from an annual average of 4, 5, or 6 to 15, 18, 20, and even 22.

Case 3. Six Other Silk Hosiery Manufacturers

Other hosiery concerns—Artcraft, Blue Moon, Holeproof, Finery Coral Band, Dexdale, Ruby Ring—followed the general line of the Gotham Gold Stripe reorder plan, beginning about 1927.

The Finery Silk Stocking Company, making Coral Band Hosiery, offers three model stocks for stores doing $20, $30, and $50 a week, respectively. The booklet this firm puts out describing its model stock plan says: "By merchandising any one of these stock levels, following the Finery methods and suggestions, you will be able to get at least 10 turnovers per year. Since the merchandise is billed to you on 30-day terms, *no cash investment is required at all!*"

Case 4. Cannon Manufacturing Company, Towels

The model stock plan used by this company includes a standard assortment averaging:

20 to 25 styles of Turkish and huck towels in 8 principal retail price ranges.

5 to 8 styles of bath mats in 3 principal retail price ranges.[2]

5 to 8 styles of wash cloths in 3 principal retail price ranges.

Styles from this standard assortment are featured in Cannon's national advertising. The mill carries open stock of each color and each style in the standard assortment and promises 48-hour shipment on any order or reorder. It is of particular interest that the items in the standard assortment are offered in definite retail price ranges. Of course,

[1] Faster rate of turnover is a major advantage to a store using the Model Stock Plan. How the simplification and standardization of prices at three full-line prices under the Model Stock Plan makes possible more stock turns per year is explained in Chap. VIII, p. 110.

[2] In these two classifications of bath mats and wash cloths, the Cannon price ranges agree exactly with the number provided for under the Model Stock Plan. It is probable that the Turkish and huck towels actually comprise more than "a given class of goods" such as was discussed in Chap. III, p. 37, and that, therefore, even under strict interpretation of Model Stock Plan principles, more than three retail price ranges would be necessary.

it is more profitable for manufacturers to produce goods at standardized prices, just as it is more profitable for retailers to offer them to their customers.

The mill has made up standard assortments for stores of different sizes. For the medium-sized department store doing a sales volume of $20,000 to $30,000 a year in these products, the standard assortment with a total investment value of $3,500 is divided: $2,500 for towels; $750 for bath mats; and $250 for wash cloths. For smaller stores a standard assortment valued at $1,800 is divided as follows: $1,250 for towels; $350 for bath mats; and $200 for wash cloths. Actual stocks carried by each store are suited to its individual needs. Stores carrying a standard assortment may reorder in the exact quantity of each style and color sold and not in case lots of 50 or 100 dozen as has been necessary in the past.

Case 5. Royal Worcester Corset Company

In 1929 the Royal Worcester Corset Company adopted a model stock plan which, like that of Brown Durrell Company for Gordon Hosiery, is based on a statistical study of the market—in both instances, feminine proportions—whereas most model stock plans advanced by manufacturers are based only on an analysis of sales. The company's figure type chart gives a scientific basis for the model stock.

The retailer sends in monthly a detailed inventory of the garments on hand as a check on his daily or weekly reorders. The manufacturer analyzes each inventory and determines the significant facts. Within a week the monthly analysis goes back to the dealer, with merchandising suggestions for special sales effort on slow-moving styles, types, or sizes; recommendations for increasing or decreasing the unit of stock per style or size; and authorization to return certain styles or sizes that are seriously affecting turnover for exchange for more salable styles or sizes, or for newly released merchandise.[1]

[1] It is interesting for any retailer who examines these plans to notice in how many instances the manufacturer has, of his own volition, gone further in concessions to the stores than any storekeeper would have dared ask. For example, the replacement of slow-selling goods with new, wanted goods. The

This whole method has effectively standardized and simplified the Royal Worcester Corset Company's production and has aided in cutting out too slow-moving, little needed, and, therefore, unprofitable items.

Case 6. The Esmond Mills, Blanket Manufacturers

The Esmond Mills, makers of Esmond Blankets, did not undertake model stocks as a general practice, nor did this company attempt to make the model stock universal among Esmond dealers. In its efforts to improve sales by cooperating with jobbers, the Esmond sales promotion department sent out missionary salesmen to work with jobbers and, in particular, to hold Esmond displays and special sales in stores that bought Esmond Blankets from the jobber. The Esmond representative took charge of the special display and helped behind the counter.

With the very first displays, the missionary salesmen began complaining that the stock the retailer bought from the jobber was not varied enough for purposes of display. A more carefully built up assortment was accordingly made up of items selected to produce a better impression of a complete stock in the store and also to represent the different price ranges, the various styles, and the different color combinations of the line. The selection was independent of any particular jobber's orders or his stock on hand.

This full-line assortment was so successful that jobbers, who had sold it to their customers for the special Esmond Week, immediately noted a strong demand for patterns and colors which had been in the special assortment and which the jobbers had not stocked. This demand made it profitable for them to stock these blankets, many of them in price ranges where the jobbers' buyers had been sure there could be no demand. Just as our carefully planned

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retailer, of course, has no inherent right to demand such insurance of his buying judgment; but the point is, manufacturers find that it is more profitable to work *with* their dealers, exactly as this book has already pointed out—because it pays to have the dealer making a fast rate of turnover and satisfactory total profits, and also because the manufacturer's goodwill is increased if the public connects his brand with only fresh, wanted goods.

Model Stock contains items that the retailer has previously been unwilling to stock because he did not see how much they would add to his profits, so the Esmond full-line assortments brought to the attention of both jobber and retailer items the sales and profit possibilities of which they had never before been able to appreciate.

This gain was consolidated by picturing in jobbers' mail-order catalogue color pages, supplied by the mills, only the patterns and colors that were in the full-line assortment. The natural division of the Esmond line into baby blankets, bed blankets, "fancies," and blanket comfortables for the foot of the bed soon developed separate full-line assortments of each of these subdivisions; these lines are often segregated in different departments and sometimes are bought by different buyers in one department store. As Esmond developed a line of all wool in addition to the cotton Jacquards, there was also an assortment of the wool blankets.

Case 7. W. S. Libbey Company, Blanket Manufacturers

Many manufacturers have at one time or another sold or consigned special assortments made up to induce the distributor to stock the line. Of course, the nearer the selection of the special assortment to the requirements of the distributors and their customers, the more successful the effort of the manufacturer to introduce the line. Golden Fleece Blankets, made by W. S. Libbey Company, are distributed to jobbers in assortments chosen for speedy selling. Domestics in general have long been offered to the trade in assortments which have been the means of introducing a line and have cut selling costs by increasing the unit of sales.

Analysis of the plans already described in this chapter clearly indicates that the selection must be good for the distributor and his customers, whether or not it adequately represents the manufacturer's whole line. It ought to be so good that it can be sold outright, so good that the dealer will want to buy it again and again.

Case 8. Wilson Brothers, Haberdashery Manufacturers and Wholesalers

Several manufacturers in different fields have introduced model stocks without having the assortments standardized for all classes of stores. These assortments are specially fitted to the needs of each store. The manufacturer's salesman, in collaboration with the buyer of the store, decides the selection of items and the number of each item to be stocked.

In this class comes Wilson Brothers, Haberdashery, whose salesmen make available to each store recommendations based on:

1. The generalized experience of Wilson Brothers with different types of stores which is summed up in certain rules and percentages.

2. This experience as related to the individual character of a store—its location, the type of trade it caters to, and so on.

Case 9. Coopers, Inc. Manufacturers of Men's Underwear, Etc.

Most of the model stocks already described in this chapter fall into one of two classifications. They are based on:

1. An analysis of the manufacturer's own sales. Example, The Esmond Mills.

2. In the field of wearing apparel, a study of the physical variations of the consumers. Examples, Royal Worcester Corsets and Gordon Hosiery.

A third classification, far more rarely met with is:

3. A study of the retailer's stock's requirements in the particular department.

From the merchant's point of view, the third type of approach seems more logical and more likely to yield him the greatest total profits. As we know, this is the type of study that most closely approaches the most effective application of the Model Stock Plan.

To this class belongs the method employed by Coopers, Inc. They trained their salesmen to become expert advisers

to retailers on stock control, turnover, mark-ups, margins, and the like; they laid particular emphasis on the importance of scientific buying of style goods in their field—men's underwear, hosiery, and pajamas—which style had invaded only comparatively recently and where staples had been the rule.

Coopers soon found that the necessary basic information could not be obtained by salesmen interviewing buyers or merchandise managers. It could not be attained short of getting carefully audited sales figures on a more realistic basis than is ordinary practice in stores. So this company employed a firm of store accountants to audit the underwear, nightwear, and hosiery sections of a number of representative stores. Not more than 1 out of 12 or 15 was using really scientific buying and stock control in these departments.

The wastes uncovered by this accounting study are so significant that they are worth describing in brief outline. Many merchandise managers did not in any great degree control their buyers excepting by financial limits—definite maximum expenditure for the department in question. There was found no general effort adequately to distribute the budget by sections. The result was that often a buyer was likely to overbuy in those lines in which he was particularly interested and underbuy in the lines in which he was not personally interested. The other major tendencies away from profitable stock control were due to lack of sufficient emphasis on style trends—a subject of comparatively recent importance—and to disregarding the price ranges in which the store or the department could best operate.[1] There were also the ever present short stock in the best-selling sizes, the equally dangerous long stock in slow-selling sizes, and very often an unusual quantity of stock in staple goods, solid color hosiery, for example, which could be procured from manufacturers at short notice and so was an unnecessary burden on the store's merchandise investment.

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[1] As we see throughout the cases in this chapter, any model stock method employed by a manufacturer or a retailer would be immeasurably strengthened by being based on the Model Stock Plan's basic standardization of prices at the three prices that meet mass demand.

To meet these conditions Coopers devised model stocks for the stores, based on merchandise audits. When this model stock is installed, Coopers assures the merchant that his men's underwear will turn at least three times a year, men's hosiery at least five times, and nightwear at least twice. The manufacturer voluntarily replaces by other items style items recommended on the basis of the merchandise audit within 60 days if they prove to be slow sellers.

Case 10. Eaton, Crane and Pike Company, Stationery Manufacturers

The balanced inventory is one of five common-sense business methods that Eaton, Crane and Pike Company lists as helping the retail sale of its goods. This company has two Red Book Inventories, one for medium-sized stores and one for larger stores, which list the items that should go into these stocks. The quantity of each item is decided by the store buyer and the manufacturer's salesman.

Case 11. Maid-Rite Corporation, Slipper Manufacturers

Model stocks of leather slippers for retailers, based on an analysis of the purchases of 5,000 customers, have been worked out by Maid-Rite Corporation. Herman Miller, president of the company, is quoted:[1]

> Today we can go to a dealer and show him what he should buy, not only on our own recommendations but also on the recommendations of 5,000 of his fellow retailers in all parts of the country. We can give the small dealer a satisfactory slipper department at an outlay of only a few hundred dollars. For larger dealers we merely extend this small order by adding items which will take care of the normal demand which he may expect in his store. Our salesmen have featured this analysis and we have also played it up in our advertising and have found it has been one of the best sales points which we can use.

Maid-Rite retail model stocks have greatly diminished the manufacturer's own stock on hand and 24-hour delivery service is guaranteed on reorders.

[1] *Printer's Ink*, p. 72, July 18, 1929.

Although we have space in this book for but few cases, these actual case studies give some idea of the ways in which successful manufacturers are already working along Model Stock Plan principles. These producers are encouraging their dealers to carry in the departments given over to their products something approaching the specifications of a Model Stock and to operate it along lines resembling to a greater or less degree the Model Stock Plan.

It is evident from the cases cited in this chapter that some of these admirable plans must be highly profitable both to the store and to the manufacturer. And there is every reason why any one of the more soundly conceived departmental model stock plans advanced by manufacturers, including as they do definite price lines, complete assortments, and close control of stocks to a minimum practicable figure, can profitably be assimilated into the store-wide Model Stock Plan with its standardized three full-line prices. Thus it will increase the store's total profits, make the store into a more profitable customer for the producer, and lead the manufacturers to concentrate their energies on factory methods and on products that fit into the Model Stock Plan.

CHAPTER XIV

HELPING PRODUCERS ELIMINATE WASTE

The Model Stock Plan's major purpose: overcoming wastes. Not sharp trading but genuine cooperation with resources. Model Stock Plan provides a definite system for this purpose. Better values through better planning. The mutual interests of producer and retailer. A longer selling season; substantial buying after production peak seasons. How dull-season orders at low prices pay producer and retailer too. How the manufacturer profits by knowing what his dealers are thinking, exactly as Woolworth's suppliers know. A plan for greater total profits on novelties. Should a store manufacture?

In its relation to the store's resources—producers or importers from whom the goods are bought—the Model Stock Plan has only one major purpose: To help them overcome wastes in their production and their distribution, thus enabling them to reduce costs, to sell more, and to earn greater total profits for themselves and their distributor customers. For, when these wastes are reduced, whether by the producers' initiative or our own, we shall be able to obtain better goods cheaper than ever before.

Low prices and steadily better values for our customers are our constant aim in operating our Model Stock store. As we are able to give customers better values, we know that we shall almost automatically increase our volume of sales and our total profits.

A basic weakness in the present method of distribution is that too often both the resource and his merchant customer, consciously or unconsciously, regard their dealing as a contest of wits and trading ability. Hard-headed business judgment proves that it should be nothing of the sort.

What the Model Stock Plan requires and calls for in unmistakable terms is not sharp trading but rather genuine cooperation. The producer and the retailer must truly work together to eliminate wastes, each contributing the best he can to attaining economies. Out of the very consider-

able amounts they save together in this way, each can increase his own total profits far more than he can by dealing in the spirit of old-fashioned horse traders. Moreover, these waste-saved profits are not made at the expense of either.

It is possible to attain such great economies because the whole current system of making and selling goods is permeated with needless wastes. A comparatively small number of manufacturers have grown very large and very prosperous because, through scientific mass production, they have succeeded in eliminating the most flagrant wastes. But the bulk of the manufacturing is still predominantly wasteful. So is the bulk of the selling. Much of this waste arises from the unscientific, unstudied, unorganized merchandising of retailers whom the manufacturers serve; retailers who operate on opinion and tradition instead of on a fact method such as the Model Stock Plan.

Most of the manufacturers who have attained the greatest success in mass production have done so because they are men of exceptional fact-finding ability; they have used their ability to the utmost in overcoming, often against distributors' active opposition, the many obstacles in their paths. The average manufacturer has a very difficult task in trying to do the best job single handed in the face of wasteful practices by his distributors.

Under the Model Stock Plan we can help the producer make the most progress in this direction, to our own profit; for we can help free him to concentrate more of his attention on his manufacturing. Using this plan we shall give him more large orders and fewer small orders, thus helping him get for himself and us the great benefits of mass production. We shall help him reduce largely his factory overhead per unit of output; help him increase the stability of employment that he offers his workers and, therefore, enable him to obtain and hold the very best grade of labor available to him; help him eliminate much of the guesswork from his raw material buying, through giving him extraordinarily early our decisions on the materials that will best suit our

customers; help him really to attain the factory economies of mass production as against small-lot, sporadic production. All these are definite savings of most important wastes.

To all of these savings the Model Stock Plan leads, because it provides a simple, easy, and definite system that makes it possible for us to work closely with the producer and assist him in doing away with these wastes. It is such wastes that prevent his giving us the best types of merchandise at prices far lower than he has ever found possible before. For all merchants know that any losses which resources take must, if the resource is to continue in business, be passed along to the merchant and thus, in turn, to the consumer.

In general, it is true that the larger the order the less per unit of output it costs the manufacturer to put the lot through his plant. Merchants have gone a long distance away from the old-fashioned practice of placing a whole season's order at one time, perhaps months ahead of the delivery date. Hand-to-mouth buying has superseded it to an important degree; there is nothing in sight to warrant the belief that the old practice will ever come back, unless temporarily in a pronounced seller's market.

But if, through the complete stocks of staples and attractive style goods at excellent price values made possible by the Model Stock Plan in our store, we succeed in increasing our sales volume largely and also concentrate our purchasing at only three price levels, so that each of our orders is several times as large as before, we permit the resource to approach mass-production methods in turning out our goods.

Moreover, this gets us prompt deliveries. In many lines of manufacturing the producer is likely to hold any given small order until he can accumulate enough of them to make a profitable factory batch. But if our order, whether of staples or style goods, is large enough to permit the more important economies of mass production, it usually is placed ahead of the small orders.

Group buying brings much the same results. In effect, in group buying the manufacturer gets the combined orders of a number of stores which, even if not large individually,

will almost always be, in total, an order of mass-production size. It is principally because such savings are possible only on large orders that a great many small retailers, who today have no idea of entering into group-buying arrangements, will be forced to enter buying groups within the next few years, or else lose their businesses to the more modern, waste-saving forms of distribution which will soon be an even more intensive competition than they are today.

We have already touched briefly on one respect in which the savings of large quantity orders may be practically drawn against in advance under the Model Stock Plan to improve the values we offer our customers. It will bear repetition and amplification here. When we are undertaking the development of a BB, we may, at the beginning, need to sell it very close; to a less degree the same situation may arise in getting into a full-line price any article that is a little beyond our cost limits.

If we offer the BB or other full-line article at a price which, at first, yields us an inadequate profit, it will be such an outstanding value that customers will buy it in very large quantity, not to mention the trade that will be attracted thereby to other more profitable items in the same full line. As we increase our sales of the item in this way, we shall unquestionably find it possible to get the article from the producer at lower and lower costs, as the larger orders permit him to save in his factory. As we repeat this process on various items with a given resource, we are likely to find him willing to assist in the more rapid development of additional items by sharing in the early losses with full assurance that he will soon be getting the orders in large enough lots to yield him as well as us an adequate rate of profit.

All of this reasoning is simply good sound business sense; for this is a basic strength of the Model Stock Plan, that it fits together into a common interest what are too frequently assumed to be the divergent or antagonistic interests of the buyer and the seller. The Model Stock Plan shows us in actual practice that the resource profits most by selling the retailer only those goods which he feels sure will yield the

retailer an adequate total profit. The merchant, in turn, will best increase his own total profits by helping his resources to conquer their wastes and thus get his goods at lower costs as a direct result of these savings.

Not for some time, now, have we referred back to the aim of the Model Stock Plan of assuring us the right goods, at the right time, in the right quantities, at the right prices. But we must never lose sight of this ideal in our thinking about and selection of resources. We must never let price influence us to overlook the other parts of the formula; substitute a "wrong" for a single "right," and this basic rule no longer works.

Here, then, is another reason that, under the Model Stock Plan, compels us to cooperate sincerely with our resources. Even though we can never afford to subordinate price too far, we must get our goods at the right time,[1] else we lose the advantage of seasons in both style goods and staples. We must know enough about our resource's methods to assure ourselves that he will not buy a small quantity of new material, make up samples, take our order—and then be forced to notify us that he cannot fill the order because he cannot obtain any more of the material within a reasonable time. It is well to know enough, if possible, about his labor relations to be reasonably sure that, just when we have an order of goods in process in his plant, he is not likely to have a sudden strike on his hands.

If the manufacturer from whom we buy has a wrong plan or a costly method, it is to our interest to help him improve it. As we have already seen, very often we shall find that the reason for these preventable production wastes lies with the retailers who fail to give him adequate cooperation, because they are using methods of planning and control less effective than those of the Model Stock Plan.

It all gets back to the supreme test of any resource: Under the Model Stock Plan, *where we should buy must be determined by where we get goods that yield us the greatest total profits*

[1] This subject of price *versus* reliable deliveries is discussed at some length in Chap. XI, p. 152.

by rendering the best service to our customers in style, good quality, and price. Let us remind ourselves that it is to our advantage and to the good resource's advantage to keep a record of just what profit experience we have with each resource;[1] likewise, to let the resource know just how he stands with us on this profit record. When a resource is regularly reminded that this rule is being applied to him, as well as to all other resources, and a record kept of the net total profit on the goods he supplies us, he will generally benefit to the extent of keeping in mind that no trade is a good trade unless it is mutually profitable.

If retail merchants as a class, in dealing with resources, always practiced these sound and almost obvious policies, which are essential to obtaining the greatest total profits under the Model Stock Plan, this chapter might have been omitted. But most merchants are not practicing them, and, because most merchants have not gone to the trouble of thinking them through, they do not really believe in them as practical operating possibilities.

Producers and wholesalers, like retailers, frequently fail to think these subjects through in the light of the epoch-making changes in production and distribution that are now under way. Some of these producers, with whom we wish to work, we shall have to convince of the great mutual advantages of this cooperation under the Model Stock Plan.

For instance, *the Model Stock Plan of merchandising gives us a much longer selling season* than under ordinary methods of store operation, because it plans and provides definite successive times for selling each of the three full lines[2] and adding new goods, which are better values in price and style, according to the buying calendar.

This method enables us to offer our manufacturers substantial orders after their peak seasons are over. Of course,

[1] The profit record, which is a definite part of the Model Stock Plan, is described in Chap. IV, p. 64.

[2] The provisions of the Model Stock Plan by which we definitely organize for a longer selling season, successive mark-downs in one after another of the three full lines, and buying goods after the manufacturers' rush season has passed, but while we still have left in our store many days of profitable mass selling, are fully explained in Chaps. IX, and X, pp. 121 and 137.

we are entitled to better than busy-season values on these orders, for they permit the economies of slack-season manufacturing. Most successful producers are glad to cooperate with their customers to induce them to place orders for substantial quantities of goods to be manufactured at a slack time at a lower price. They see their opportunity for increasing their own total profits by accepting such an order. They recognize that it involves the same principle under which they, themselves, are able to buy electricity from a central station on its comparatively low industrial rates set to keep the electric company's generating plants and its distribution lines earning revenue during the day's low demand time, before the evening's peak demand for lighting purposes has set in.

Of course, the closer a manufacturer can come to keeping his plant busy every day in the year the lower will be his overhead expense per unit produced. He has his plant and equipment, and a certain proportion of his people which must be kept on the payroll whether or not there is enough for them to do. Moreover, by laying off his factory force he loses the advantage of their training in his particular work, for he can seldom hope to hire them all back when work picks up. If he is able to give them year-round work, or something pretty close to it, he gets the pick of the workers available and keeps the people he has trained to his special needs. Moreover, people who have good steady jobs are less likely to cause labor troubles.

By using the Model Stock Plan, and particularly its buying and selling calendars, we can help a desirable resource to eliminate wastes and increase his total profits by giving him orders, especially for staples, which he can manufacture in his slack season. On some types of goods we can give him orders with no specified delivery dates, permitting him to deliver at his convenience any time within the term of the contract. Our share of the wastes, which he eliminates by our cooperation, he will, naturally, be able to give to us in lower prices on these goods.

In fact, it is largely the low price that makes it pay us to buy at an off season. There is plenty of experience to show

that by passing along to our customers these exceptional values, as we are forced to do under the Model Stock Plan, we can extend our own selling season to an important degree.

One reason we have urged the manufacturer to read this book, which has been primarily concerned with retailing, is that it pays the resource to know how his customers are thinking and what they are thinking about. He can manufacture more profitably if he knows what his customers want, what they should have, and why. If, in the process of selling to a retail merchant, a producer could know exactly what was going through the merchant's mind, the help this would give him in selling is obvious. If a producer can know the general line of the merchant's thinking—and an increasing proportion of all retailers will, year after year, be thinking along the lines of the Model Stock Plan—the advantage both in his own planning and in his own selling is just as clear.

It is, of course, equally advantageous to the retailer to have the manufacturer understand the line of his thinking. This is proved by Woolworth's experience. Every aggressive manufacturer whose goods might conceivably be worked into the Woolworth line knows exactly the limits of the prices Woolworth's can pay and the whole general approach of a Woolworth buyer to the problem. The manufacturer undertakes, then, to do exactly as the Woolworth buyer would do who wanted badly enough to get this article into his stock. If the manufacturer is successful in working down the cost of his goods sufficiently, without lowering the quality, to permit him to sell them profitably at a price that Woolworth's can afford to pay, he sells an extraordinary quantity and makes a very large total profit. So does Woolworth's.

Perhaps the most important single fact for the producer to understand about the Model Stock Plan is the functioning of the three full lines at fixed prices. The manufacturer will be aided in his production if he understands the principles to which a Model Stock store buyer must work. The manufacturer will be helped particularly by understanding the greater total profit possibilities, both to himself and to his

merchant customers, of adjusting his costs and expenses and prices to coordinate with the Model Stock's rule for three fixed prices with no in-between prices.

Under the Model Stock Plan the manufacturer knows exactly what the buyer can afford to pay. This puts the whole transaction on a basis of the greatest value attainable at this known price, eliminating one of the big variables in the problem for both the manufacturer and the buyer. Working to the three full-line prices in goods at far higher price levels than are available in the range of the big, fixed-price chains, such as Woolworth's and Grant's, the producer has open to him a field that offers far larger opportunities for total profits than are possible in five-cent, ten-cent, and dollar items.

When the manufacturer is working along the lines of the Model Stock Plan, he is also working by the basic principles of the method by which Ford made his great success and his enormous fortune. He is working in profitable cooperation with his customers to produce goods at the prices where the greatest quantities of goods can be sold. The greatest total profit for retailers, and also for the competent manufacturer, is in encouraging to the utmost the manufacturer who wants to eliminate waste, reduce costs, and, thereby, sell in greater and greater quantities, as he will be helped to do if he manufactures to the three full-line prices of the Model Stock Plan.

Another respect in which the Model Stock Plan might be made to function to the mutual profit of producers and retailers is in the field of style novelties. I have shown several manufacturers of style goods that they can attain mass production on such goods. To accomplish this best, the manufacturer would have to build up a staff of nationally or even internationally known experts in style and applied art.

The manufacturer must arrange that his experts shall produce an attractive style novelty every month, perhaps even more frequently in some lines. Then the manufacturer can send his salesmen to retailers to say: "I want your order for a fixed quantity of our newest item each month. We

don't want you to make this quantity any larger than you reasonably believe will be profitable, for that would not work out to our advantage any more than it would to yours. We shall carry a reserve stock, so that for two weeks after you receive your goods we can ship on receipt of your reorder anything that you have sold out. This will permit you to make your profits on novelties in money instead of in stale goods.

"You know that no manufacturer of style novelties has ever before been able to do this because he has found no way of making it profitable. But we expect to get orders like yours from one retailer in every town. Consequently, we shall have a total volume on these goods large enough to let us produce them in greater quantities than any manufacturer has ever done before. This gives us a much lower production and selling cost. You will, in turn, be able to sell greater quantities of them because your lower prices will bring them within reach of a much larger number of your customers."

This novelty plan is cited simply as an example of the kind of thinking that a manufacturer may profitably find himself doing when he understands how the Model Stock Plan can fit into his own and his customers' businesses.

An understanding of the Model Stock Plan will also show a manufacturer that at the very most he can safely sell to one retailer or a chain not more than 50 per cent of his output. As we have seen in our early examination of the plan, an important part of the improvements possible in distribution arises from the compulsion of competition. If the producer knows that his whole output will be taken by one customer, the fear of being beaten by competitors is removed or at least weakened to the point where he no longer is spurred to doing his very best and then excelling it. It is equally expensive to the retailer who buys too large a proportion of a producer's output, for the retailer is no longer getting in his goods the benefit of initiative equal to the producer's when he first established this firm connection. By the same line of reasoning, a retailer should not manufacture goods for sale in his own store. If he tries it the head of his

manufacturing lacks, by reason of his assured market, the incentive that he should have for excelling, and the goods produced will show this in quality or cost or both.

The whole discussion in this chapter nets down to the statement with which the chapter began, that the Model Stock Plan has only one major purpose in relation to the store's resources: To cooperate with them to overcome wastes in their production and their distribution and thus enable them to reduce costs and so sell more and earn greater total profits for themselves and for their distributor customers.

CHAPTER XV

THE MODEL STOCK PLAN MAKES GREATER TOTAL PROFITS FOR EVERY BUSINESS

The Model Stock Plan applies to every kind of business. How the Model Stock Plan made transatlantic steamship passenger traffic more profitable. How it could be applied to American railroad passenger traffic. The hotel industry's crying need for three full lines. The opportunity in tourist camps. How the Model Stock Plan was applied to book publishing and to dollar stores. The Woolworth store magazines. Will it fit plants and flowers? Economic changes already here and impending make its use compulsory. Standardized prices, the independent stores' solution of the problem of chain competition. Railroad freight rates and mass distribution. The advantage of adopting the Model Stock Plan ahead of competition. Men's shoe departments in the R. R. A. Serious dangers threatening distribution. Why bankers must favor the Model Stock Plan. The major advantages of the Model Stock Plan.

THE epoch-making economic changes now in progress are proving that major improvements are available to every kind of business.[1] This is perhaps the greatest definite value to be found in these changes.

Certainly the principles of the Model Stock Plan will fit every kind of business. The time-honored assertion that "my business is different," has for the most part been discredited. No business is basically different from all other businesses, however much it may differ in outward appearances, and because it is basically like others, the application of the Model Stock Plan will greatly help it.

Throughout this book we have seen how the principles, on which such successes as Ford, General Motors, and Woolworth have been based, apply to every kind of retail business. In a preceding chapter we examined several cases selected from the many available in which manufacturers have

[1] The only possible exceptions, the businesses to which mass-production and mass-distribution methods are not applicable, are those constituting the very small proportion, 10 or 15 per cent at most, which is wholly art or science.

increased their own profits by helping their customers, the retailers of this country, to put the Model Stock principles to work in their stores. We have seen that when the Model Stock Plan is utilized in a store, it inevitably reaches back to eliminate wastes in factories producing goods for this store.

It cannot, then, be dismissed with any such general statement as that it applies only to retail stores. To be sure, it was originally worked out in a retail store which over the years has attained the largest sales of any store of its kind in the whole world. But it has proved itself as a way to greater total profits in a great many concerns which hardly touch retailing at any point. *Wherever it has been intelligently and completely applied, it has yielded larger returns in money, and it has increased the safety of the business.*

The Model Stock Plan is applicable to all kinds of businesses. Its application is far wider than we think possible until we have made a careful analysis. For instance, it seems a far cry from retail stores to transatlantic steamship travel. Yet the Model Stock Plan has been the means of putting the transatlantic steamship lines' passenger traffic on a money-making basis after it had been suffering heavy losses for years.

The steerage transportation of immigrants from Europe to the United States had been the bread and butter of the ship lines for many decades. The fare was low—at one time as low as $30 or $40. Steerage quarters were crowded on the west-bound passage, and this revenue was the major source of passenger profits. But when the immigration restriction laws went into effect, this revenue was largely cut off, and most of the previous profit showings were changed into losses.

In my study of international trade relations, I had concluded that the greatest hindrance among the American people to a more cordial attitude toward Europe was that so few Americans had ever been to Europe. If a larger proportion of the American voters could visit Europe, this would be a distinct step toward attaining a better comprehension of European conditions which would be basically

useful in extending the European market for American goods. Also I had in mind that the comparatively small sums spent in Europe by hundreds of thousands of third-class tourists would make a total large enough to increase Europe's buying power of our goods and also help "transfers."

By reasoning it out directly along the lines of the Model Stock Plan, I came to the method that would make a European trip available to Americans at "the cheapest full-line price." Then I presented this novel plan at the annual meeting in Washington of the men interested in shipping.

The result was the gradual adoption of the cheapest full-line idea, "tourist third class," which is essentially transatlantic passenger transportation "at the lowest price at which it can be produced in quality high enough so that customers will buy it again and again.[1]" The accommodations now available in this class are filled to capacity during the summer. There are millions of people in the United States who have been prevented from going to Europe only because it has not been within reach of their pocketbooks, and they will go again and again if the prices are what they can afford to pay.

This application of the Model Stock Plan's full-line price principle has not been carried to its fullest possibilities, because many of the shipowners and ship executives as yet have not altogether comprehended how the Model Stock Plan applies completely to something apparently so different from a business that does its trade on a stock of merchandise. Because passenger transportation is a service and not goods,

[1] We now find transatlantic passenger travel developed exactly on the basis of the full lines of the Model Stock Plan. Tourist third is the cheapest full line. First class is the highest-priced full line. De luxe departments are represented by a number of ships that cater to the de luxe traveler. The best-selling full line is represented by the cabin ships, which are potentially the best-selling full line, although they are not yet statistically the best-selling full line because there are not sufficient cabin ships to accommodate the great number of passengers who would like to use this service. The trend toward more generous cabin accommodation is seen in the steady conversion of ships into this service, the *SS. George Washington* being the most recent conversion as this is written. While progress along this line has been fairly rapid, it will be much more rapid as ships not specially built for this most profitable type of service become obsolete and are replaced with new ships.

they sometimes miss the point. But the application has now gone so far and is so successful that competition may be counted on to do the rest.

At present this business is largely done during summer vacations. When eventually the hotel companies and steamship companies realize the possibilities that will come from a really complete application of the Model Stock Plan, they will not only make the summer months fully productive but will also make travel come in very large volume in other months.

It nets down to a situation that can best be illustrated by supposing that a Ford or Chevrolet automobile could be produced in the factories for $200, but that the cost of distributing it were another $800. Mass production of the present Ford or Chevrolet would be impossible at a retail price of $1,000, no matter how efficient the factories might be. The customer, of course, is not concerned with whether the cost is accumulated in the factory or in distribution. He rightly looks at what he has to pay. If he cannot or will not pay $1,000 for an automobile, the sale is lost.

In selling European trips to the masses of American population, knowing the total price of the trip would help travelers to determine whether or not they can afford it. When the steamship lines recognize more definitely that people want to know how much money it will cost them not only for the voyage but also for all the expenses on land—hotels, railroads, and the rest—the companies will include every expense in personally conducted tours for a fixed, all-inclusive price. When people then realize that they can have a European trip about as cheap as one at home, travel will be tremendously stimulated at third-class and cabin-ship price levels, and the steamship lines' profits will be increased to a still greater degree.

A possible off-hand objection to encouraging European travel on a mass-production scale is that it might be better policy to induce our citizens to see America first. The answer is that people who have been to Europe will be better customers for travel in the United States, because they will

be ashamed not to know as much about their own country as they know about Europe.

To stimulate travel in this country it would be advantageous for the railroads also to adopt the Model Stock Plan and make such travel available at home. During the past few years the railroads have been doing some things in this direction with the purpose of building up their passenger revenues and making up for some of the business lost to the automobiles and motor buses. Along such lines are the week-end day-coach trips to points of popular interest, such as Atlantic City, Washington, Niagara Falls, and Montreal. But these are merely sporadic, haphazard applications of some of the Model Stock Plan ideas. When the Model Stock Plan is fully applied to the railroads' passenger traffic problem—as it must eventually be to permit them to establish it on a basis of real profit making—it will enormously increase the number of passengers carried, greatly increase the use and the total profits of the railroads, and win them the enthusiastic support of a better served public.

The tendency in any business where Model Stock Plan thinking is not applied is to raise rates when some outside force has operated to cut down the volume of profitable business. It is, of course, possible to get away with this policy for a while; it actually consists of using up the goodwill of the business. But eventually competitors come to an understanding of the Model Stock Plan principle that the greatest total profits are earned by offering the public the goods or services it wants at the price it is prepared to pay.

An instance of a business where this reasoning applies directly is the hotel industry as it is today. Most of the hotels lost a source of great total profits when prohibition took away their liquor trade. Forthwith they raised their rates on rooms and their prices on meals.

The traveling public has no adequate source of shelter except hotels, so the rooms are fairly well patronized, but a very large proportion of their guests do not eat many meals in the hotels. There have grown up around every large hotel many cafeterias, tearooms, drug stores with lunch counters,

quick-lunch restaurants. The hotel supplies a profitable share of the trade of these less expensive outside eating establishments.

The traveling public and a large share of other people would, in general, rather eat at a good hotel than anywhere else. But because the hotels ignore the Model Stock Plan principle of pricing, they drive this trade away.

If the hotels would adopt the Model Stock Plan and its three full lines, they would have special restaurants for their de luxe and highest full-line customers. They would serve in their largest dining rooms at prices that would meet and beat in service and prices any competition for the best-selling level of mass trade. They would have cafeterias, lunch counters, and the like for the cheapest full-line trade.[1]

One of the reasons that has kept the hotels from realizing the golden possibilities of these opportunities is that they are afraid it may detract from the general reputation of the hotel. But a good many hotels of very high reputation are beginning to go pretty far along this line. Of course, there will always be some de luxe hotels that will have only de luxe restaurants.

Another idea along the same line: one of the curious phenomena that is difficult to understand is that the hotel people should allow the automobile tourist camps to grow up everywhere. This could never have happened if the hotel people had been applying the Model Stock Plan principles.[2] The hotels' high prices have forced a large share of all automobile tourists into uncomfortable quarters with too limited service.

If the Model Stock Plan is applied to this question, we should ascertain just how much an automobile tourist can

[1] Already this trend is being manifested in a limited way by the erection of new hotels which are particularly designed to permit lower prices for excellent food but less elaborate service. Some of the outstanding successes among chain hotels are those catering to the cheapest full-line and the best-selling full-line trade. Far more can be accomplished in this direction when the full force of the Model Stock Plan is brought to bear on the problem.

[2] As this is written it has just come to my attention that at least one of the hotel trade publications, *Hotel Management*, is carrying on an active campaign for the operation and management of the high-grade automobile tourist camps by local hotels to cater to this class of trade at the cheapest full-line price.

pay for himself, his family, and his automobile, and what he willingly pays in these camps per day. Then we should unquestionably find that quarters very much better than tourist camps can be provided at these prices. As soon as this is definitely known, hotels will be built to provide sleeping accommodations, restaurants, and garages which, at prices fitted to this cheapest full-line trade, will be distinctly profitable.

Similarly, great profits await the men who will take boarding houses along highways all over the country, put them into chains with standardized prices, standardized cleanliness, and so on. Such establishments, developed on the right level of service, probably nationally advertised, and certainly identified just as definitely as the Atlantic and Pacific Stores or United Cigar Stores, could take over the lion's share of the business that now goes to indiscriminate establishments with nothing to recommend them but the sign, Tourists Accommodated. Here again, of course, the standards would be set according to what could conceivably be provided at the prices that the great bulk of tourists could pay—the mass levels of greatest consumer demand.

If any of these proposed applications of the Model Stock Plan to lines far removed from selling merchandise in retail stores strikes you as far-fetched or improbable, let us look at two prophecies from the last chapter of my earlier book about the Model Stock Plan,[1] in the light of changes that have occurred during the intervening five years. When that book was written, those two predictions were based on economic trends no more tangible than those now evident in the steamship, railroad, and hotel fields. At that time I said: "It is possible, and I think eventually it will happen, that other chains will be organized to sell goods at some other full-line price . . . The 99-cent stores once were very successful. They could handle certain kinds and grades of merchandise that are too high in price to be sold at all in the strictly five- and ten-cent stores."[2] Only five years have

[1] FILENE, EDWARD A., "More Profits from Merchandising," McGraw-Hill Book Company, Inc., New York, 1925.

[2] *Op. cit.*, p. 148.

passed as this is written. Today several successful chains of $1 stores are in operation.

Then there was pointed out the possibility of applying a similar idea in book publishing. "By and large, books are published at arbitrary prices, without definite relation to the buying ability of our 114,000,000 people . . . Often an edition will not exceed 1,000 or 1,500 copies, whereas there are thousands upon thousands of potential book buyers in this country . . . The average book will no longer be published at a price higher than a full-line price—that is, higher than the highest price at which mass distribution is possible . . . In a short time one or two publishers will do it and will be able to offer authors a first edition of 100,000 or more, while the other publishers offer merely 1,500 or 3,000.[1]

In the intervening five years have come the so-called "book clubs." The Literary Guild is giving its 60,000 subscribers approximately $40 worth of books a year for $21. There is a children's monthly book club, a business monthly book club, and a lawyer's monthly book club, all of them working along the best-selling full-line price. And there is a book club working along the cheapest full-line price.

I am not citing these examples to glorify my ability as a prophet. Prophecy is at best dangerous and at worst disastrous, so that I try not to indulge in it too lightly or frequently. But if, in only five years, the unmistakable economic trend toward mass production and distribution along Model Stock lines has made these two forecasts come true—the one about books brought down on my head no end of dissent at the time—does it not follow that these broad statements about other lines are now most likely to be worked out with greater and greater total profits?

Just as another indication of the possibilities of applying mass-distribution principles and methods to lines of business that on the surface are much different, let us look at the experiment made in December, 1929, with merchandising popular magazines through chain stores. Four new maga-

[1] *Op. cit.*, pp. 152–156.

zines were brought out—one each in the fields of home, motion pictures, love stories, and mystery stories. They were placed on sale only in Woolworth stores, at 10 cents apiece. Within a few days the whole combined edition of about 1,000,000 copies was sold out, setting a new record for magazine publishing. The incident is indicative of the power of the Model Stock Plan principles applied to practically any line of business.

Still another example of the great possibilities of the Model Stock Plan may eventually come in expanding the volume of plants and flowers sold in winter. Although a great many are sold already, they are not a tenth as many as could be sold if the prices were at the point where great quantities could be placed within the reach of the masses of people. Here, again, whatever the prices are today, it would be possible to produce the flowers profitably once the producer has determined the price at which the greatest demand occurs.

Roses at from 50 cents to $1 a dozen in winter may seem visionary. Still, the florist who studies the principles of the Model Stock Plan can also determine his full-line prices. He may find, for instance—and, in my opinion, eventually will find—ways to sell roses in winter at not very much more than summer prices, probably by selling them in much larger quantities than now. This, too, was mentioned in the former book about the Model Stock Plan, and while nothing revolutionary has as yet occurred, Woolworth, Kresge, and Sears Roebuck stores today carry flowers and plants at prices far lower than five years ago were considered possible. Eventually, prices in these lines will be worked down to what people can genuinely afford to pay. Roses at 50 cents to $1 a dozen are not greater bargains than Fords or Chevrolets at $500.

It is inevitable that here, also, will arise the same initial difficulty of seeing how to produce at such prices; but the savings that will come with producing for mass quantities apply to roses as well as to automobiles, books, clothing, and so on. A specific objection might be that it takes coal to

produce roses in winter, and that with the present price of coal it is impossible to lower production costs. Is this objection necessarily valid? Is it absolutely necessary that roses for northern customers be raised in the North where coal need be used? Perhaps they can be produced in the open air at open-air production costs by raising them in southern climates, in Florida and in parts of Central and South America from which fruits are already so successfully brought. The large pompon chrysanthemums which sell in such great quantities in the East, especially during football season, are grown in California for the autumn trade. Undoubtedly, flowers could pay transportation costs better than vegetables and fruits, which are bulkier in proportion to value.

Another point about flowers: A wholesale florist recently informed me that in his city the retail price of most cut flowers is about three times the wholesale price. This, he said, is necessary because of the large quantities lost through wilting. As long as the prices are such that the mass of the people can buy flowers only for weddings and funerals and special occasions, just so long will the demand be irregular and impossible of the most effective planning. Let the price be lowered to a point where the masses of people can afford to buy flowers as freely as they now buy candy, and the increase in sales and the consequent decrease in overhead expenses will make the loss through wilting relatively unimportant.

This is the kind of thinking about production that will come when the principles of the Model Stock Plan are generally understood and applied. Experience has already shown that analyzing the Model Stock Plan and applying it to lines where it is not now applied will probably suggest extraordinary opportunities.

Changes are coming on rapidly and radically in all business, more particularly in the field of distribution. They are coming so rapidly that every store and wholesale house and manufacturing company organized and doing business along the traditionally accepted lines must make major adjustment to these changes. Otherwise, there is no assurance that the

business will continue to earn satisfactory profits or even that it will continue to exist. Many a neighborhood grocer whose productive life had been spent in building up a small, modestly profitable store learned this lesson forcefully, and to his sorrow, when the grocery chains invaded his street, offered better values than he could see any possible way to meet, and took away from him practically all that part of his trade which had cash to spend for its groceries.

If the small stores are to survive, they must combine in ways to meet competition. This is exactly what has happened in a good many instances in the grocery field. When the chain stores became too great a danger to be longer ignored, buying groups and voluntary chains sprang up in various parts of the country. In one instance, more than 9,000 grocery stores have united with huge success to buy centrally, although retaining individual ownership.[1] There are many manifestations of this in the drug field, starting a good many years ago with the stores under the Liggett management.

All types of group buying by individually owned units which do not use the Model Stock Plan meet one great difficulty: the different viewpoints of the buyers as to the selling price of the goods they must buy together in order to make the savings that come from mass purchasing. The Model Stock Plan standardizes prices and thus makes profitable combined buying because all the stores want goods at these best-selling prices. Also, as we know, the Model Stock Plan draws into its three full-line prices practically all the goods that producers plan for in-between prices. In consequence of the economies that result—as we have seen, it is this process applied to five- and ten-cent prices that gives Woolworth's such exceptional values—the Model Stock Plan

[1] In March, 1930, The Independent Grocers' Alliance of America, which was organized by J. Frank Grimes, reported that they had between 9,000 and 10,000 retail stores, and that there were in addition between 3,000 and 5,000 individual merchants who had signed agreements and whose stores were being remodelled as rapidly as possible. As soon as these stores are remodelled and have had their big opening sale, they become full-fledged members. Like the chain stores, the I. G. A. now broadcasts weekly radio programs.

permits us to offer our customers better values than centralized chains can offer, unless they also decide to standardize their prices.

Goods can be produced for all the three full-line prices in practically any class of merchandise. To accomplish this it will sometimes be necessary to get much lower costs; but savings can be made in directions which up to now have never been thought possible. For instance, take railroad freight rates. These for many commodities, are at present so high that they actually interfere with yielding the greatest total profits to the railroads by interfering with mass production and, consequently, with mass freight delivery of this mass output.

Anyone of wide experience in business now accepts the general principle that mass sales need not and will not be confined to Fords, Chevrolets, radios, electric refrigerators, low-priced shoes, and the rest of the articles that are commonly offered at mass prices. Mass sales can also be obtained for any desirable class of goods, provided the price, through mass production and distribution, is reduced relatively as much as the prices of Chevrolets and Fords have been reduced.

Everyone should cooperate to make the final price one within the consumer's ready reach, one which will sell the commodity in mass quantities. This would benefit not only the producers but also the consumers and everybody who, like the railroad men and people in other transportation agencies, has a hand in bringing the goods from the factory to the consumer.

In the long run, we must have "companionate prosperity," or no prosperity. The more businesses there are enjoying prosperity the more prosperity there will be for each business.

No factory is safe against competition if it is busy only half of the time. The same is true of railroads. It would pay railroad executives to realize that many classes of goods would be bought in mass quantities if the prices were brought down to one of the three standardized prices in the Model Stock Plan. The railroads would find it profitable, therefore,

to cooperate with the producer and distributor; by doing this they would be busy 24 hours a day instead of using their rails profitably less than half the time. Thus they could manifestly bring about enormous reductions in the costs of handling each unit of freight.

It is clear that if all these different lines of business had long ago applied the Model Stock Plan principles to their problems, they would have found it very profitable. Every year since publication of my first book on the Model Stock Plan has shown that more and more kinds of businesses have found it profitable to apply the principles of the Model Stock Plan. These are not only the most successful producers in their lines but also they are rapidly dominating their fields. Time is of the essence in the greatest success; and in any line, the first comers who adopt the Model Stock Plan principles will be strongly entrenched against those who lag behind in taking advantage of these progressive more-total-profit principles.

As we have already seen, simplification and standardization are saving hundreds of millions of dollars annually in the United States through the elimination of unnecessary varieties. The Model Stock Plan, is, after all, founded on the simplification and standardization of prices, where far greater savings are possible.

If it seems that these claims are too broad, let us consider for a moment the tremendous successes already made—and the great start therefore already attained over present and possible future competition—by the single price, or in some instances two-price, chains such as Woolworth's, Kresge's, Grant's, Thom McAn shoes, many dress shops, and any number of similar organizations. Or consider one instance from the department store field. Men's shoes have not been very profitable in most department stores. In many stores they have been very unprofitable.

The Retail Research Association, composed of leading stores in 18 cities, decided to adopt the three full-line prices in the men's shoe departments of its stores which had largely been unprofitable. Then the R. R. A. brought to bear on the

problem its facilities for group buying. This procedure promptly transformed these departments into money-makers.

In department stores which are being forced into chains, standardized prices and the other methods which are the basis of the Model Stock Plan will be the conquering principles. They will make possible the most effective combination of their powers. At present almost all of the department store groups are simply aggregations of stores largely lacking the advantages of group mass buying, principally because standardized prices have not been agreed upon.

There are still many dangers threatening retail distribution as at present practiced because the wastes are so enormous. As we have already seen, prices increase anywhere from 100 to 300 per cent between factory and consumer on the average article sold in stores, and this despite the fact that the average retail net profit is less than 5 per cent, which is certainly not profiteering. Nevertheless, the spread is too great to be allowed to continue, because the consumer's dollar is not big enough to stand this waste.

The fact is, serious new dangers are threatening retailers on account of these great wastes in distribution which the Model Stock Plan so successfully combats. For example, there is something that within a very few years is going to make serious inroads into the total profits of one whole class of retail merchants who today are utterly unsuspecting. If they were using the Model Stock Plan, this danger would not now be threatening them.

The head of one manufacturing company which dominates this field in volume and in quality has told me confidentially that he is only awaiting the building of a greater surplus in his business to take his product away from jobbers and retail stores. His product is in an industry where grades are definitely recognizable, with no possible question of quality arising. It is now distributed through a class of stores which, because a large part of their stocks turn extremely slowly and for other reasons, have a very high total store overhead.

The product is regarded by the public as de luxe goods but is desired by all consumers. Actually, on a basis of produc-

tion costs, this article need not be a de luxe item. When this manufacturer has built up the capital to safeguard his company against the inevitable reaction of retailers which will seriously cut into his business for two or three years while he is getting established, he intends to go directly into mail selling of his product.

From his investigations and his research he believes that when he establishes this new method he can save probably 60 per cent of the present cost to the consumer. If so, the business of his manufacturing company can be tripled or quadrupled within five years. This will reduce still further the overhead per unit of his production and make profitable still lower retail prices.

What this manufacturer purposes doing is essentially to apply the Model Stock Plan to retailing his product by mail, because his retail dealers will not apply it in their stores. Because so much waste still exists in retail distribution, such dangers for distributors in all lines and all classes of goods are very great. But these dangers will be minimized or eliminated in businesses where the Model Stock Plan principles are energetically applied to reducing the wastes of distribution.

It is in this aspect that the Model Stock Plan intimately touches the nation's banks and bankers. The banker's business is, of course, to lend out money in such a way that he will get back his capital, with interest, surely and promptly. He cannot afford to take any chances with his depositors' and stockholders' funds. No matter how good the character of the borrower, if the borrower persists in doing business on methods that have become obsolete in comparison with those of competition, the banker is not at all sure of being repaid. The old methods, particularly of distribution, are rapidly becoming obsolete. Many bankers have lost money because a borrower did not reorganize his business to compete successfully with modern chain-store or mass production. Such a banker does not need to be reminded that the less efficient businesses are rapidly becoming poor credit risks. Those bankers whose lendings are in any considerable degree among distributors are finding it

worthwhile to familiarize themselves with the Model Stock Plan method of planning and control that so reduces the risks of doing a distributive business.[1]

Bankers know that a business using the Model Stock Plan will earn greater total profits through having a faster rate of turnover, will lose less through mark-downs, and will increase its volume of sales more rapidly. In every instance the Model Stock business will inevitably attain a better set of those credit ratios on which bankers so largely base their judgment of a business.

Moreover, it is in times of business depression that the banks have their heaviest losses. Bankers are learning that the store with stocks at the price levels of greatest demand is more surely and quickly able to get into thoroughly safe condition at the first threat of a business panic; likewise, that such a store is often able to make even larger total profits when general business conditions are bad than when they are booming.[2] So at the most troublesome times for the bank, its Model Stock borrowers will require less than ordinary attention and care.

It is plain to me, therefore, that in the not too distant future the most progressive bankers will aid their customers to see how great improvements they can make in the safety and success of their businesses by applying the Model Stock Plan. I likewise suspect that the business which can show a record of having used the Model Stock Plan profitably for some years will, when this time comes, be considered a preferred credit risk by those bankers who know the most about what makes a retailer a desirable customer for a bank.

Nor is the Model Stock Plan's usefulness in the retail field confined to any single class or kind of stores. It was

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[1] Many of the larger banks are, of course, retaining or employing engineers who survey and report on the operating policies and methods of applicants for loans before the loans are made and who work with customers when the need arises to safeguard the bank's interests. These management engineers are particularly alert to such modern developments as the Model Stock Plan in its relation to the whole field of distribution.

[2] As has been described in Chap. VII, p. 103, the experience of the Filene store in Boston during the slump conditions of 1920 to 1921 is one instance of the greater total-profit possibilities in times of general business depression.

developed in our small store, which grew into a big store. But it fits every kind of store just as effectively. It will bring just as proportionately greater total profits to a store doing $50,000 a year business as to a store doing $50,000,000. And, as we have seen, the Model Stock Plan principles are in essence the same as those responsible for the extraordinary successes achieved by Woolworth's, Grant's, and other chains doing annual volumes in excess of anything attained by even the largest single stores.

Basically, what makes possible any argument in opposition to the idea that the Model Stock Plan will be essential to every business in the not far distant future is the widely prevalent idea that if we make money in business it shows that our methods are good. Of course, it is possible to make money in a business that is extremely badly managed. This can happen if we have a monopoly or are dealing in necessities and our competitors are using no better methods than we are. In every pioneer stage it is possible to be successful with crude methods. But eventually these always are superseded. In an army of blind men a one-eyed man is easily a leader.

In the field of distribution there is a double necessity upon us for putting an end to crude, pioneer-stage methods. Not only are these crude methods outgrown and, therefore, bound to be pushed out of existence by competition, by the needs of distribution itself, but also mass production, as we have already seen, cannot exist with methods that waste most of the savings that mass producers have laboriously brought about in their factories.

The tendency of business today is all toward the Model Stock Plan type of mass production and the Model Stock Plan type of mass distribution. In studying almost any type of article, we find that it tends to get into the hands of the consumer in better and better quality and usefulness at lower and lower prices. This is true, as any man or woman above eighteen years of age can recognize from personal experience and observation, of any number of products. Automobiles within 20 years have ceased to be luxuries sold

only at de luxe price levels and have become necessities available to practically everybody at the price he can best afford to pay; a 1930 Ford or Chevrolet is a far better automobile than the finest and most expensive car of 1905. Radio receiving sets of fine quality and appearance are, as this is written, available to the consumer at half the price of an old-fashioned, far inferior battery-operated set of five years ago.

All this economy, this waste saving, is possible because of advantages arising from the Model Stock Plan type of mass production and the Model Stock Plan type of mass distribution. We may definitely count on the trend to continue, for its advantages to the producer and the distributor are as manifest as the advantages to the consumer.

Let us look briefly at the advantages that the Model Stock Plan brings to the business where it is used:

1. Prices are set at the three full-line levels that the most customers are most willing to pay.

2. Producing and selling goods for these fixed selling prices assures giving customers exceptional values at each price level.

3. Standards of value are established by carefully planning BB's, and then making sure that all merchandise values measure up to them.

4. Complete stocks at each price level are carried safely, turned rapidly, and sold at a satisfactory total profit.

5. Volume of sales increases because of both the better values and the more complete stocks.

6. Selling effort is applied according to the selling calendar, so that it yields the greatest volume of profitable sales.

7. Buying is concentrated on those articles which customers want and will be benefited by owning; it is scheduled by the buying calendar to fit with the producer's needs to produce better values.

8. The department head's abilities are concentrated on selling, in the sense of finding what customers want and then delegating much of the actual ordering to assistants.

9. Mark-downs are minimized and made to yield a net profit.

10. Publicity is coordinated with the whole plan of merchandising, so that it yields far greater results.

11. De luxe trade is developed profitably, thus winning recognition and prestige for style leadership.

12. Distress goods are merchandised profitably in large volume.

13. Producers are helped to eliminate waste throughout their production and distribution.

14. Producers are helped, by understanding the plan, to sell to retailers on the best possible basis of mutual interest.

15. Coming changes in distribution and production are met soundly and surely, so that the business is assured under good management a continued and profitable existence.

All of these advantages, of course, net down to a reduction of waste, economies in production and distribution, better goods at lower prices to the consumer. Thus the Model Stock Plan brings better service to the public.

Every leader of business recognizes that profits come from helpful service to the public, and, as we have seen throughout this book, the Model Stock Plan is not only designed to increase the service to the public, of any business where it is used, but is quite as carefully calculated to bring to that business greatly increased total profits.

CHAPTER XVI

THE MOST IMPORTANT JOB IN DISTRIBUTION

Model Stock Plan selling not high pressure, which reacts against the seller. High-pressure selling of undesirable goods often leads to reordering these undesirable goods. "Parent service" in selling. The buyer profits most by putting his attention on selling, delegating much of the buying. When the buyer spends his time on the selling floor. Eliminating friction in the department. A plan to sell more staples. Predetermining the time for marking down novelties. Specialization as a means to greater sales volume. Making our business profitable to our resources. How to get goods on sale promptly. Who can o. k. incoming shipments? The first goal of the Model Stock Plan.

ONCE more we return to the fact that the primary function of the retailer is buying *for* the customer not selling *to* the customer. Probably goods well bought are more than half sold. But however much we may believe in and practice careful buying for our customers, we do not make our profit until we complete the sale and take in the money.

Much of what we shall discuss in this chapter is admittedly merely good merchandising practice that any experienced retailer is already acquainted with. But if we are to make the greatest total profits from the Model Stock Plan, it is important that we do not overlook any of these familiar facts. So they are treated here along with a number of ideas which are not as yet widely in use.

Selling under the Model Stock Plan is distinctly not high-pressure or smart salesmanship. Instead, it naturally follows the lines of least resistance. If we have performed properly the prescribed operations in building up a Model Stock, our selling will be materially simplified.

If we induce the customer to buy something by the force of our salesmanship and of our advertising rather than by the article's inherent fitness for the customer's purpose, this hurts the goodwill of our business just as soon as the customer realizes it. For the article will be in use, and every time

it is seen may cause resentment at our having sold it. Thus it will react against us when the customer has to do some shopping for goods that we handle.

But even this is not the worst of its effect on us. Our buying is largely influenced by the way that goods have sold. Our records will not show us that the only way we succeeded in getting rid of this particular article was by high-pressure selling. So the chances are that, having sold this undesirable merchandise, we are likely to buy more of it on reorders, and perpetuate the error, keep on selling the goods and building up ill will with every sale. Of course, we shall not be likely to reorder if the defects of the merchandise are so flagrant that they force mark-downs.

Many stores are using considerable time and effort to educate employees to serve customers in the very best way. The only danger in such educational work is that it may take the direction of teaching salespeople to sell something to every customer whether or not it is needed. Then, of course, it becomes pernicious. Rightly done, however, it is extremely valuable.

For many years I have tried to impress salespeople with the attitude toward customers that I call "parent service." Every employee who gives parent service deals with a customer as he would with his own father or mother. When this prevails throughout our store, we shall never sell anything that should not be sold for the customer's best interest.

Unless we sell only in this manner, we are sending out into circulation customers who tell their friends and relatives that their last purchases at our store were unsatisfactory. We lose the dissatisfied customers' goodwill and that of everybody else they tell of their experience. Whereas, if we send away customers satisfied, they come back.

We have already seen, under the Model Stock Plan, that to plan our sales volume we start from a complete stock rather than from past performance. That is, to earn the greatest total profits, *we must consider the volume that we should sell rather than the volume that we have sold.* Thus we are likely to come face to face with the duty of increasing our sales so

that we can successfully and profitably carry a complete stock.

The most important job in distribution—assuming that we have grasped and put to work the right principles of buying—is selling. This does not conflict with the previous statement that our primary function is buying *for* the customer. Buying *for* the customer is our primary function *because it makes possible the right kind of mass selling.*

This has a direct bearing on the duties of the merchant and of the buyers to whom, in a large store, he delegates the actual merchandising work. It leads straight to a shift of emphasis. The department head—and the best department head is the buyer—can best afford to put his attention primarily on selling and to turn over to assistants much of the actual buying which, under traditional methods, he now considers the most important part of his job.

Even though it is admittedly more arduous work to get out on the selling floor than to handle a buyer's job in the traditional way, it is very much to the buyer's interest. It is bound to increase the total profits of his department, and, after all, the biggest salaries for buyers can only come permanently out of large total profits. The bigger the total profits of his department the bigger the buyer's income.

The working arrangement, which will bring the largest salary to the buyer and the largest total profits to the store, is one under which the department head the greater part of the time—at an estimate, 90 per cent of the time—is himself on the selling floor with the purpose of discovering how customers may be best served.

Here his duty is to see that every customer buys, to sell her what she came in for, to salvage from any lost sale the reason why she did not buy; in a word, to get at first hand the information that will enable him to buy and keep in stock all the items required to meet every reasonable demand of customers.

He will find out in person where his stock is inadequate much more quickly and much more graphically than even a well-devised call-slip system can give him the same facts.

Call slips and stock records are good. But any methods of presenting the facts on paper are most valuable as supplementary to the department head's observations and experiences in the selling departments. He cannot get a subordinate to do this job, for only he himself has the final authority to correct all of the weaknesses of stock and selling practice. The department buyer, simply because he is accustomed to think of his function as primarily one of going to market, selecting goods, and placing the orders, is likely, at first, not to see how much this idea can help him to sell more goods, to make more profits, and, therefore, to make him more valuable to himself and to the store.

Like most merchants, we are inclined to defer tremendously to any opinions or even prejudices of a good buyer. (In fact, if our buyers are not convinced, we shall probably never get our courage up to the point where we shall really and fully adopt the Model Stock Plan.) Actually, a good buyer can increase his department's profits notably by changing his conception of his function. An alert, skilful buyer is most valuable when he uses most of his ability, his energy, and his time in finding out from his customers what goods they really want to buy. Here is where the buying should be planned.

From the store he can send his assistant buyer or his buying agent into the market to place the actual orders for what he, the buyer, orders him to buy. These goods will include, in addition to the reorders, largely those articles which close contact with his customers has shown the department head are in demand and which, therefore, will sell most profitably. They will not be the goods which, in the manufacturer's showroom or with the manufacturer's salesman, the buyer makes up his mind, sometimes rather arbitrarily, will probably sell most profitably.

Of course, the buyer should go into the market himself as frequently as he wants to. Certainly he should go at regular intervals to keep himself posted on the market. But if his buying agent can get for him what the buyer has ordered him to get, what the buyer has found, from personal observa-

tion, his customers are asking for and what, therefore, will yield the most sales, then the arrangement will be far more profitable than if the buyer absents himself from the store a large proportion of the time to place orders for what he thinks or is told his customers want. It is preposterous to suppose that the buyer's own status or income is going to be hurt by having his assistant actually place the orders. Placing orders is, of course, part of buying, but it is not the most important part in relation to making the greatest total profits and the least total mark-downs. The really important part of buying is buying *for* the customers, finding out what they want, and seeing that it is placed in stock more quickly than competitors get it.

This shift in emphasis helps us to eliminate one of the great weaknesses of the currently accepted method. The department head who thinks his most profitable function is buying naturally believes that all of his buying is right, and that any difficulties in selling what he buys are due to other causes. Every retailer has seen instances where goods do not sell and the blame is laid on the salespeople or the advertising, when, actually, it is frequently the fault of the goods. When the department head begins to think of himself as a seller and delegates much of the actual buying, he gets the department as a whole into perspective.

A major reason why the selling is frequently not so effective as it should be is that friction exists. Considering himself a seller, the department head will be most interested in any cause that interferes with getting to the customer the full value of his stock; he will be intent on finding the cause of any friction in the department and removing it, whether it is friction of personalities, environment, prices, styles, or whatever it may be. As a buyer, he may and frequently does consider this the duty of someone else.

If this same buyer hears a friction noise in his automobile, he stops the car instantly and hunts out the trouble. No friction in machinery is, however, so important as the friction of human beings in his department. Just as there is an expert approach to finding and correcting the friction in an

automobile, there is a scientific way to eliminate human friction. The Model Stock Plan is this way, and the department head, regarding himself as a selling partner, will employ all of the aid it affords to conquer the friction within his department so that it may earn the greatest total profits.

In fact, when the buyer emphasizes selling as the most important factor in increasing his department's total profits, a great deal of friction is automatically removed. For the first time, his principal interest is the same as the principal interest of every selling employee.

This selling viewpoint will be applied to many corollary problems with greater total profit results. For instance, we assume, as do most merchants, that staples may be permitted to turn rather slowly. But when a department head handling a staple line really applies his mind and his energies to this question, he will find he can profitably increase the rate of turnover of his staple merchandise to a figure far more rapid than is at present believed possible.

Thinking of his job as primarily selling, the department head will inevitably become concerned with the excessive cost of distribution, for certainly it seems excessive when it costs more to distribute the average goods than to make them.[1] He will have borne home to him, spending so much time on the selling floor, that one of the major wastes in the store is the enforced leisure of many of the store employees. Few selling departments are busy more than half of the time.

As the outcome of this thinking, he is likely to arrive at some ideas which, while materially different from currently accepted practice, may increase his department's total profits. Putting together his desire for a more rapid rate of turnover on staples and his desire to employ more effectively the facilities of his department, he may decide that since his store is centrally located in a territory of large purchasing power from which he can draw more trade, he will undertake something radically different. He will reduce the mark-up on staples

[1] As has been pointed out, Chap. I, p. 11, the bulk of the merchandise for which the consumer's income is spent at least doubles in price from the producer to the consumer.

sufficiently to increase sales to the point where they will keep his *salespeople busy* more of the time, and where, consequently, he will make greater total profits.

The experienced merchant will probably say that the department head will not gain any advantage from this; that, instead, he will be starting a price war, for all of his important competitors will meet his new prices.

The answer to this objection is that at present only competitors who are well located centrally can profitably continue to sell staples at smaller than usual unit profits. Actually, it is to the interest of our store as well as of competing stores to do this. Nothing else will so definitely draw crowds of customers to any retail district as having all of the stores selling a volume of staples at the lower price and continuing to do it because it pays. Such selling of staples at low prices, drawing greatly increased numbers of customers to our general location, will increase total sales and total profits for all of the central stores. As we have already seen,[1] good hard competition increases total profits for every well-operated store engaged in this competition by drawing trade from less active competitors and from other trading centers. This is an instance of how, operating under the Model Stock Plan, we can profit in collateral ways.

Then, too, there is another possibility in handling our novelty lines. Of course, novelties ought to turn as quickly as possible, the quicker the better. Under the Model Stock Plan we shall find it most desirable to determine accurately, with the best facts possible and the best judgment on these facts, how long novelties shall be kept. Losses on novelties are not losses in money alone. Quite as important are the store's losses of reputation that come from not having newer goods that should succeed the novelties on hand, and such losses of reputation seriously impair sales volume.

It is probable that some method like the automatic bargain basement plan might be used, with predetermined times for

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[1] The actual dollars-and-cents value of brisk competition as an aid to increasing our total profits is explained in some detail in Chap. XI, p. 159.

mark-downs of novelties. Since, under the Model Stock Plan, the novelties will be marked down to the next cheaper full-line price, they will not only sell much more quickly but also the net result of selling them at this reduced price will be to increase largely the sales of goods in the full lines to which they are reduced. This will actually reduce the total mark-down loss or often result in a net total profit on account of the increased sales of the full line these mark-downs produce. Because this must assure our having the newest of these goods at all times, and nothing obsolete, we shall thereby tremendously increase the goodwill of our store.

Many of the weaknesses of merchandising arise from looking at important problems through the eyes of a buyer rather than of a seller. For instance, consider outsizes. Here is needed a definite formulation of, and provision for, the extra-small and the extra-large sizes. The buyer who works under traditional methods is likely to buy these goods cautiously, often in insufficient quantities because of the risk involved. Again, as we all know, they may easily be bought in too large quantities through lack of knowledge of the total amounts of all items that should be carried in the full line.

There is a distinct advantage in segregating these goods and handling them as separate departments, probably with an assistant in charge of each. The need for this is more apparent when it is considered that extra-large or extra-small sizes are usually better if they differ in some particulars from the good styles in ordinary sizes. A style that is good for a medium-sized woman might be ridiculous on a very large woman.

The difficulty here is usually met by not buying extra sizes in unsuitable styles. This method is merely negative and does not compare in total profits with segregating extra-large or extra-small sizes and treating them as special kinds of merchandise, as though we had a special shop that carried only such goods. In this way we are able to have stocks more complete and more suitable and thus to gain a reputation for supplying what other stores are not so well organized to

supply. We can get steady customers for such goods. Being better satisfied in this respect at our store than elsewhere, these customers are likely to prefer to buy also in our other departments.

Where this method has been adopted, it has usually resulted in separate departments for each of these lines. The separate departments have not only proved very profitable but also are far ahead of the ordinary competition. They add very largely to the goodwill of our store as people recognize that it specializes in goods which are ordinarily difficult to find in complete assortments and that we carry them at prices reflecting our policy of no greater percentage of profit on these than on any of our other goods.

In addition to the BB's, MP's, staples, novelties, style goods, and outsizes in each full line, of course there are needed what, for want of a better name, may be called "related lines," such as tennis shoes and rubbers in a shoe department; nurses' uniforms in an apron department; chauffeurs' uniforms in men's clothing; women's riding breeches in a skirt department; nursery and invalid furniture in a furniture department; road maps in automobile accessories; and maternity dresses in a dress department.

In many stores such goods are not carried at all or in only a haphazard way. An evidence of the possible usefulness of the Model Stock Plan in building up full lines is that there exist specialty shops and chains of such shops for many specialized classes of merchandise. If they exist outside of department stores, they can exist equally well or better within them.

Of course it is not practical to have separate departments for such lines in stores so situated that they can do only a limited volume of business in these goods. But even in such stores something can be done in this direction by getting one of the salespeople specially interested in these outsizes or in a related line, so that this salesperson is a specialist who can deal particularly well with this merchandise and with customers who require it.

Other possibilities exist. In the Filene store in Boston,[1] for instance, a department handling only first shoes for infants and first walking shoes has been very successful. The basic rule that has made this department of value to customers and, consequently, profitable to the store is that everything else is subordinated to selling for a child only shoes that will assure correct development of its feet.

The general principle is that wherever specialization is profitably possible, the greater the specialization the better. The department buyer or assistant buyer who buys and sells only one small class of merchandise quickly becomes really uncommonly expert at both buying and selling these goods. This is merely applying the dominant factory principle of getting the best results for employer and employee by having each employee perform one operation and nothing else. So important is this principle in the Model Stock Plan that we may expect to keep splitting and resplitting departments and increasing total profits through each of these divisions. Each time we take a step toward further specialization, we assure the merchandise a still more intensive application of the sales point of view as contrasted with the buying. This is a sure way to greater total profits.[2]

As we have already seen, resources to be kept on a department head's favored list must be profitable. We have gone over the ground that our business must be profitable to any resource if we are to continue to get the benefit of its best ideas and best merchandise. When the department head thinks in terms of selling, the reasons why this is true become even clearer.

We must understand that we are not buying of any producer as a favor to him any more than he is selling us only as a favor. We must, likewise, see that our resources know

[1] Let me restate, for emphasis, that my reason for citing illustrative incidents from this store is that it is the business which I know most intimately from personal experience. But the Model Stock Plan is just as profitably applicable to any line of business or to any types of merchandise.

[2] The Filene store in Boston deals only in clothing and furnishings for women, children, and men. Yet, having followed for many years this policy of intensive specialization, its sales volume is so large that it must be listed as one of the ten or fifteen largest retail stores in the United States.

we understand it. *Every trade to be a good trade must be mutually profitable.* This is so important that it should be posted in all sample rooms, and all our treatment of salesmen and resources should be based on it. Resources must understand that if any part of their experience with us goes counter to this basic rule, we shall be very glad to talk it over and to remove any injustices from our way of dealing.

We are not doing the salesmen a favor by looking at their goods or buying of them. Any store that buys of a resource or salesman as a favor to him is going to correct that error in the bankruptcy court if the store continues it long enough. We must make our arrangements to conserve the time of the salesmen. The out-of-town salesman deserves special attention. We should see him before local men. In doing this we are not doing the salesman a favor; we are simply following a practice that is good business. For all waste of salesmen's time, like every other waste, finally has to be paid for in the price at which the article is distributed. It is curious that any store should short-sightedly force salesmen to undergo indignities, such as riding in freight elevators or waiting unnecessarily. Such procedures are fundamentally wrong and unprofitable. Because they are wasteful they get in the way of our own selling.

We have already studied[1] the methods to assure buying more regularly the right kind of merchandise ahead of competitors and our whole principle of applying to any resource the test of whether it makes prompt deliveries. It is in this whole field of prompt deliveries and general good service from resources—the very phases of the relationship which most directly affect our total profits from sales—that we reap the benefit of our attitude that there is no element of doing a favor in the whole buying-selling relationship. If our dealings with resources are considerate and profitable to them, they will do everything possible to hasten production and delivery of our orders, whether large or small.

Whenever we can save a day in getting goods onto our shelves, we shall do well to save it. We know that for many

[1] Chapter XI, p. 147.

kinds of style goods, the most profitable selling season consists of not more than two months, approximately 50 selling days. For each day we can save, then, we gain 2 per cent of the selling season. Since the average retail store's final net profit on sales is not more than 5 per cent, we have to keep constantly on the alert to lose none of the little advantages; otherwise, we seriously impair our total profit.

In using the Model Stock Plan, we are definitely working with our buying calendar and our selling calendar. We emphasize, therefore, that it is highly important to sell our merchandise during the seasons when it will yield the greatest total profits. In consequence, we shall concentrate on eliminating the wastes of time that prevail in the store where the value of every day is not so forcefully brought to the attention of merchandising executives and department heads.

Too often, goods are not delivered to the selling department until after they have been in the central receiving room overnight. This is all wrong. When goods are received at the store, they should not be opened but should immediately be sent to the department receiving room in the department for which they are intended. We should, if possible, have this receiving room on the same floor with, and preferably adjacent to, our selling area. In the department receiving room the shipment is promptly checked for quantity and all other points that require inspection before acceptance. Then the original tags are taken off and the goods prepared for sale. This should be done immediately, even if a night receiving force is required. If the shipment is large, an effort should be made to deliver at least a few pieces of each kind and size to the selling department without delay, so that the goods may immediately be put on sale and the advantage gained of having these goods instantly available to customers. Actually, there should be not more than 10 or 15 minutes delay in having at least samples on sale after the goods have been inspected and passed.

Other important advantages accrue from following this procedure conscientiously. Thus we increase our reputation for having new goods promptly. A customer who is in the

department immediately after the goods are received may not be there again for a week, and she, therefore, gets the impression that we are a week earlier in our showing. Moreover, by finding out so much more quickly which of these goods sell, we shall probably get our reorders into manufacturers' hands at least a full day earlier. When the manufacturer is entering his rush season, this single day may mean as much as a week's difference in his delivery.

Of course, no goods should have the tags removed and be distributed until the buyer who ordered the goods has seen and passed them, and until some test of the size accuracy has been made. If the man who placed the order is still away at the central market, he will have provided some one at the store with such detailed information on his purchases that he can authoritatively accept the shipment in place of the buyer and get it into the selling stock.

These are the only people competent to pass incoming shipments. To place goods in selling stock before they have been passed in this way is a practice dangerous to the store's profits. It is costly, both through the ill effect on goodwill of selling to customers goods which are not right and the increase in returned goods which results when customers find the defects and send back the merchandise for credits or refunds.[1]

This calls for the full cooperation of every buyer, whether the department head or an assistant. No intelligent merchant wishes to subject his buyers to hampering restrictions of personal freedom. But it should, and must, be a matter of pride with everybody in the department, from the department head to the newest stock boy, to get goods through receiving and into selling stock in the shortest possible time.

Under the Model Stock Plan, as we know, selling becomes cooperation between the store and the public rather than an

[1] Along the same line of thought, the buyer who emphasizes the importance of selling may well make provision to label every piece of merchandise clearly to tell of what it is composed, whether it will wash, and the good qualities as well as the bad qualities. On a pure silk stocking, for instance, the label might well point out: "Its dye is lasting, has been tested, and is the best that experience can produce. Because it is pure, sheer silk, this hosiery will not last so long as a cotton stocking."

effort to force into the public's possession articles that we want to get rid of. We are sincere in wishing to sell the customer what she wants to buy rather than selling her what we want her to buy.

With the Model Stock Plan we have a method of selling those things we buy which are not the best for the customer—of which we are bound to buy some because we are not infallible—at a reduced price that will make them extremely desirable to some of our customers.

All of the provisions of the Model Stock Plan that we have studied so far in this book are pointed toward this single goal: To obtain for the customer the goods that, at sight, she will see are most advantageous for her to buy. It is from this point of view that it becomes basically important that the department head think of himself as a seller, or, to put it another way, as a buyer who is an agent for his customers. For this is the way to greatest total profits.

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